



**2002  
FEE APPRAISER  
&  
STAFF APPRAISAL REVIEWER  
TRAINING GUIDE**

**CONSTRUCTION & VALUATION SECTION  
VA REGIONAL LOAN CENTER  
ST. PETERSBURG, FLORIDA**



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**Department of Veterans Affairs  
Regional Loan Center  
Construction & Valuation Section (261)  
P O Box 1437  
St. Petersburg, FL 33731**

**Telephone Numbers: 727-319-7500 or 1-800-827-1000 (ext. 7500)**

**OUTSIDE FLORIDA: 1-888-611-5916**

**Fax: 727-319-7762**

**e-mail: [fl/homeloan@vba.va.gov](mailto:fl/homeloan@vba.va.gov)**

**e-mail for VA Staff Appraisers: [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov)**

**See page 11 for e-mail addresses for VA appraisals**

**Overnight delivery: 9500 Bay Pines Blvd, St. Petersburg, FL 33708**

**The Appraisal System (TAS) [www.tas.vba.va.gov](http://www.tas.vba.va.gov)**

**Case number & appraisal assignments: 727-319-7502**

**(Open Monday through Friday, Noon to 1:00PM)**

**Technical problems with TAS: 215-381-3050**

**Properties for sale by VA: 1-888-254-9198 or**

**[www.vahomes.org/sp/](http://www.vahomes.org/sp/)**

**VA Lender's Handbook: [www.homeloans.va.gov/handbook.htm](http://www.homeloans.va.gov/handbook.htm)**

**Chapters 10-13 are of interest to appraisers**

## **REMOTE MANAGEMENT OF CONSTRUCTION AND VALUATION**

The Construction and Valuation Section at the St. Petersburg Regional Loan Center (RLC) is responsible for processing all VA Appraisals in Alabama, Florida and Mississippi.

In July, 2001, the St. Petersburg RLC began processing Construction and Valuation work in Alabama. In August, 2002, the St. Petersburg RLC began processing the Construction and Valuation work in Mississippi.

The RLC has Outbased Staff Appraisers in Jackson, MS, Jacksonville, FL and Montgomery, AL. Field work in Central and South Florida is completed by the Staff Appraisers based at the RLC.

In April, 2000, the St. Petersburg RLC was the first VA office to process appraisal reports through e-commerce. E-commerce of appraisal reports has greatly facilitated remote management.

One of the most critical goals of our Section is to provide accurate and timely appraisals for all veterans seeking to purchase or refinance homes in Alabama, Florida and Mississippi. We are grateful to the fee appraisers and Staff Appraisal Reviewers who go the extra mile to serve our veterans well.

## WHAT'S NEW IN THIS TRAINING GUIDE

Here is a list of the items that have changed since last year's edition of this training guide.

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## VA APPRAISER PANEL

At the start of each fiscal year, we assign each appraiser on our panel to a VA Staff Appraiser. The VA Staff Appraiser should be the appraiser's first point of contact with any questions.

The **VA Lender's Handbook** is available online at **[www.homeloans.va.gov](http://www.homeloans.va.gov)**

Appraisers should be familiar with **Chapters 10-12** of this handbook.

Appraisers should contact their assigned Staff Appraiser to have their **assignments stopped** (for sickness, emergency or vacation). These requests may be e-mailed to [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov). Please place the assigned staff appraiser's name in the subject line.

**Reassignments of appraisal requests** will also be processed by the assigned Staff Appraiser. Appraisers may e-mail reassignment requests to [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov). Notifying VA to request a reassignment is the **responsibility of the appraiser, not the lender**. This includes cases outside the appraiser's geographic area or cases involving a conflict of interest. The Staff Appraiser will reassign the case to another appraiser and give the original appraiser the new appraiser's name so the assignment can be forwarded immediately.

Appraisers are required to have an **answering machine or someone answering the phone** during normal working hours (9:00am to 4:30pm) and to inform the industry when the appraiser is not available for assignments.

Appraisers must respond to **messages left by Staff Appraisers and lender's Staff Appraisal Reviewers (SARs)** by the next business day at the latest. Staff Appraisers may stop assignments to appraisers when this policy is not followed.

The appraiser must personally

- inspect the **interior** and exterior of the subject (except on liquidation cases in which entry is not possible)
- select and analyze the comparables
- make the final value estimate, and
- sign the appraisal report as the appraiser.

Appraisers who are found in violation of this requirement will be **removed** from the fee panel.

Any appraisal which is not based on recognized appraisal practices in order to “**accommodate**” the sale price is unacceptable and will result in VA disciplinary action.

All **actions removing appraisers from our fee panel for cause are reported** to the state agency regulating appraisers and professional organizations.

If an appraiser receives **significant professional assistance** in completing the appraisal, the name of the assistant and the specific tasks he/she performed must be stated in the “Reconciliation” section of the URAR. The assistant may sign the report (as an assistant) to document qualifying experience for licensing/certification purposes.

Appraisers should include their **VA ID number** with their name on all appraisal reports and correspondence. When submitting **corrected appraisals**, the appraiser should clearly indicate exactly what has been changed.

Appraisers must wear or show their **VA photo ID** card at each site visit. Appraisers should comply with **a request from the veteran purchaser to be present at the site visit.**

Appraisers are **not** authorized to **speak to any groups** or give **interviews for publication** in an official capacity for VA (for example, lenders’, builders’ and Realtors’ organizations, newspapers or magazines).

Appraisers are encouraged to become a member of the **FHA Roster of Appraisers**. For a VA appraisal to be used for FHA purposes, the appraiser must be on the FHA Roster of Appraisers.

VA Staff will **field review** the following cases:

- at least 5% of the appraisals done by each fee appraiser
- at least 15% of the appraisals for any appraiser following a substantive negative work quality finding (one that affects the value or condition of a property)
- all Master Certificates of Reasonable Value (MCRVs)

## THE APPRAISAL SYSTEM (TAS)

TAS allows appraisal requesters to contact VA via the Internet any time of the day or night to obtain VA assignment of a case number and appraiser (and compliance inspector on proposed construction cases).

The **Internet address** is: [www.tas.vba.va.gov](http://www.tas.vba.va.gov)

For help with **user IDs or passwords**, please call our office.  
For help with **Technical Problems**, please call: 215-381-3050.

Requesters must e-mail, fax, or mail the TAS-generated VA Form 26-1805 to the assigned appraiser **the same day as the assignment is made**.

Appraisers are expected to check for **new assignments** in TAS and are encouraged to contact lenders about assignments that the appraiser has not received.

The procedure for **reassigning cases** is on page 5 of this Training Guide.

The requester must provide a **complete legal description** with the appraisal order. The appraiser is responsible for verifying the legal description.

If an appraisal is ordered for an “existing” house and the appraiser finds the property to be under construction and **not completed** to the extent that only customer preference items are needed, the appraiser should try to obtain plans and specifications. If plans/specs are not immediately available, the appraiser should notify VA and the lender in writing that the case will be canceled. The appraiser may charge \$65.00 for the site inspection fee. When the subject is appropriately completed, the lender **must request a new case number** and an appraiser will be assigned on a rotational basis.

**PAYMENT POLICY:** When a Notice of Value (NOV) is issued or when the requester receives notification from VA that a NOV will not be issued, the requester must send the appraiser his/her fee.

Appraisers are **not authorized to collect the fee from the veteran, seller, or anyone other than the requester**. In rare cases where the requester is an individual, appraisers can request payment in advance without first contacting the VA.

When a lender is late in paying a fee, appraisers may request assistance from our office in writing. Our office will intercede on the appraiser's behalf.

An appraiser may not collect fees in advance from a lender unless the appraiser has a letter from VA authorizing advance payment from that lender.

When our office has been asked to assist in collecting an unpaid fee, the appraiser should notify our office when the fee is paid.

## TIMELINESS

**Timely service** to veterans is a high priority of this office.

Requesters must e-mail, fax, or mail the TAS-generated VA Form 26-1805 to the appraiser **the same day** as the assignment is made.

Appraisal assignments must be completed within **five business days** unless there are extenuating circumstances. Weekends and federal holidays are not business days.

Example: An appraisal ordered on a Wednesday should be completed no later than the following Wednesday.

Example: An appraisal ordered on the Wednesday before Thanksgiving should be completed no later than the Thursday of the following week.

Appraisers must **document the URAR in the “Comments on Cost Approach” area** as follows:

R (received) = 12/1/00

A (appraised) = 12/5/00

M (mailed) = 12/6/00

If the dates indicate more than 5 business days, an explanation for the delay must be included.

When a **LAPP case will be late** (seller on vacation, delay getting access from tenant, etc.) the appraiser must notify the lender by e-mail, fax, or telephone.

If a LAPP case is late due to a **delay by the appraiser** and the lender is not using e-commerce, the appraiser must hand deliver the appraisal or use an overnight delivery service at the appraiser's expense.

## E-COMMERCE

The **St. Petersburg VA Regional Loan Center** was the first VA office to offer this expeditious service to veterans.

Lenders are **encouraged, but not required**, to accept appraisals through e-commerce. TAS will prompt the lender to enter their e-mail address when ordering appraisals and it will appear in Block 5 of the VA Form 26-1805 Request for Determination of Reasonable Value.

Lenders may download “**Acrobat Reader**” free at [www.adobe.com](http://www.adobe.com)  
**Acrobat Reader** enables lenders to receive e-commerce appraisal reports.

The appraisal package must be in a Portable Document Format (.pdf file) and attached to the e-mail. Appraisers should send only **one appraisal report per e-mail message**.

The **SUBJECT block of the e-mail message should be the complete VA case number**, for example, “17-17-6-1234567”, not just “1234567”.

Appraisers should **name or rename the PDF file** with the VA case number “17-17-6-1234567.pdf”, not just “1234567.pdf”.

**Maximum allowable file sizes:** 2000KB for existing appraisal  
3000KB for proposed appraisal

## APPRAISERS NOT PARTICIPATING IN E-COMMERCE

A small number of appraisers who do a minimal number of assignments for VA will be notified by our office that they are not required to participate in e-commerce.

These appraisers must send **all origination appraisals** to VA or the LAPP lender using an **overnight delivery service at the appraiser’s expense**. One copy of all LAPP appraisals should be mailed to VA via U. S. Mail. **All liquidation appraisals must be sent to both VA and the requester** using an overnight delivery service at the appraiser’s expense.

It has been our experience that most appraisers who are exempt from e-commerce requirements choose to participate due to the cost savings.

## **E-MAIL ADDRESSES**

### **LAPP Appraisals:**

LAPP Appraisals should be **e-mailed to the lender**. If the lender is participating in e-commerce, their e-mail address should be in Block 5 of the appraisal request (VA Form 26-1805).

**A copy of all LAPP appraisals** (whether or not the lender is participating in e-commerce) **must be e-mailed to VA** at **LAPPAppraisals@vba.va.gov**

If the **lender is not participating in e-commerce**, ONE COPY of the appraisal should be mailed to the lender. The lender may request overnight delivery at their expense.

### **NON-LAPP Origination Appraisals:**

Approximately 10% of origination appraisals are NOT reviewed by LAPP lenders. A VA Staff Appraiser must review these appraisals and issue a Notice of Value to the veteran. Our office makes it a top priority to issue these NOV's the same day as the appraisal is received. These appraisals should be e-mailed to VA at [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov)

### **Liquidation Appraisals:**

Liquidation appraisals should be e-mailed to [Liquidation@vba.va.gov](mailto:Liquidation@vba.va.gov)  
If the requester provides their e-mail address on the appraisal request, a copy of the appraisal should be e-mailed to the requester.

### **Questions, Reassignments, Vacation Requests, etc.:**

General questions, requests to have appraisal assignments reassigned, requests to have assignments stopped for vacation, and other matters requiring the attention of a VA staff appraiser should be e-mailed to [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov) Using this general address instead of the e-mail addresses for specific staff appraisers will ensure that all e-mails are responded to promptly by another staff appraiser if the assigned staff appraiser is on leave or official travel.

## PROPERTIES NOT ELIGIBLE FOR APPRAISAL

Properties in the following situations **should not be appraised**:

- in **badly deteriorated condition** unless VA agrees that there is reasonable likelihood that it can be repaired to meet VA MPRs prior to loan closing
- proposed construction or new construction** in a flood zone with elevation of the lowest floor **below the 100 year flood level**
- in a flood zone where **flood insurance is not available**
- in an area subject to **regular flooding** (whether or not it's in a flood zone)
- in a **Coastal Barrier Resources System (CBRS) area** (Appraisers are responsible for obtaining maps from the U. S. Geological Survey and checking the location of properties.)
- proposed/under construction in a **Clear Zone** or in **Airport Noise Zone 3** (unless VA accepted the project before the Noise Zone 3 contour was changed to include it). Airport Noise Zones are discussed on pages 29-30.
- any part of the residential structure is or is to be located within a **transmission line easement for high-pressure gas, liquid petroleum, or high-voltage electricity** (Transmission line easements are discussed on page 26).
- proposed/under/new construction in an area susceptible to **geological or soil instability** unless the builder has provided evidence that the site is not affected or the problem has been adequately addressed in the engineering design
- less than fee simple ownership** (for example, leasehold, cooperative, ground rental arrangement) without prior approval of VA Central Office (contact our office for more information)
- nonresidential use exceeding 25% of total floor area** or impairing the residential character of the property. If the appraiser determines that the area exceeds 25%, the appraiser must submit a dimensioned sketch of the subject property labeling and calculating the nonresidential area **instead of completing the appraisal**. The appraiser should submit a bill to the requester in an amount proportional to the work completed. Please see page 19 which further describes nonresidential use.

# APPRAISAL REPORT CONTENTS

Every VA appraisal report must include:

**Appraisal report form** on either:

- Uniform Residential Appraisal Report (URAR)
- Appraisal Report - Individual Condominium or PUD unit (FHLMC 465/FNMA 1073) if the subject is a condominium
- Small Residential Income Property Appraisal Report (FNMA 1025) if the subject has 2-4 living units

**Statement of Limiting Conditions and Appraiser's Certification** (FHLMC 439/FNMA 1004B) No limiting conditions may be added to this form. Certifications required by state law or professional organizations may be made on a separate page if they do not conflict with VA policy.

**Location map** showing location of subject and comparables

**Floor plan sketch** showing room layout, exterior dimensions, and square footage calculations (s/f calculations must be on the floor plan or on page 2 of the URAR in cost approach comments)

**Photographs** - see requirements below

Any **additional appraisal or repair-related information**

## **Photograph requirements:**

Black and white photographs are acceptable to VA.

**Existing cases & Liquidation cases** - Front, back, and street scene for subject; Front view of each comparable

**Proposed cases** - Same as existing, unless no improvements are under construction. If no improvements are under construction yet, just provide photos of the comparable sales.

**Condos over 3 units high** - if the subject and comparables are in the same project and are substantially identical, no photos of the subject or comparables are required

For the **comparable sales**, copies of listing service or advertising pictures are acceptable if they clearly depict the property. Photos of **listings and pending sales** are not required.

## MINIMUM PROPERTY REQUIREMENTS

### **What is expected of the Fee Appraiser:**

The fee appraiser is expected to take sufficient time to observe all aspects of the property. The fee appraiser must observe every room in the interior and all easily accessible spaces such as the attic, crawl space, basement, garage, and storage spaces.

### **What is not expected of the Fee Appraiser:**

The fee appraiser is **not expected to climb onto the roof.**

The fee appraiser is **not expected to perform operational checks** of mechanical equipment, however, if the appraiser notices that any equipment is broken, he/she should require that the item be repaired. The condition and adequacy of heating and cooling systems must be described using good, average, fair or poor ratings.

The appraiser should not recommend repairs which are **cosmetic** in nature, nice to have, or reflect personal tastes.

The appraiser **should not require certifications or inspections** for roofing, plumbing, heating, or air conditioning. The appraiser must make a decision based upon professional observation. Appraisers should not require inspections for liability protection. The appraiser should require corrective action by licensed personnel if the condition does not appear to be safe, sound, or sanitary and require nothing if the condition appears satisfactory.

### **When to recommend rejection of a property:**

In most instances, appraisals should be completed with all required repairs listed instead of rejecting properties that do not meet VA MPR's. Appraisers may decide to recommend rejection if there is a structural failure which is determined not to be economically feasible to correct.

Environmental hazards which would cause a property not to be eligible for appraisal are described on page 12.

### **The following repair items require special attention:**

The **roof** must have a minimum remaining life of **at least 5 years**. The appraiser should determine from professional observation whether the roof appears to have at least five years remaining life. Appraisers should **never require a roof inspection**. If the roof does not appear to have five years remaining life, the appraiser should complete the appraisal subject to installation of a new roof by a licensed roofer.

VA will accept any type of roofing material as long as it is accepted by the local authorities. Any effect on market value (for example, replacing a tile

roof with a shingle roof) should be considered. VA will accept up to 3 layers of shingles. If a defective roof already has three layers of shingles, all old shingles must be removed.

**Fee appraisers and SARs don't have the authority to approve waiver requests on roofs.** The procedure for all repair waivers is on page 17.

Any chipping, cracking, scaling, peeling or loose **paint** is considered to be a defective paint condition. This is an MPR (not cosmetic) repair. All defective paint must be corrected no matter how old the house is. If the house was built prior to 1978, assume the paint is lead-based and require corrective action. All repairs involving defective paint must be **certified by the fee appraiser, not the lender.**

If the subject has a well or septic system and **public water or sewer is available** on the same side of the street in front of the house, the appraisal must be made subject to connection to the public water or sewer.

Due to the mild climate in South Florida, **heat is not required in the following counties:** Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

The cleaning of the **pool** is considered cosmetic if the water in the pool is green but light enough that the bottom of the pool can be seen. If the pool water is dark and thick with considerable algae growth, it is unsanitary and unsafe, and should be cleaned.

No action is required on an **underground or above-ground fuel storage tank** unless the tank is a known pollution source. Then the tank must be removed or drained and filled with an inorganic material such as concrete or sand.

**Wood** that is pressure treated, redwood, cedar, or cypress does not have to be painted.

Dirty **carpet** is a cosmetic item and does not require cleaning unless it's unsanitary.

The appraiser should not require repairs just because a property does not meet local code unless it is in a "**Code Enforcement Area**" where the local authorities require compliance with code when properties are sold. For example, 200 amp electrical service should not be required simply to meet local code. If the electrical service is not adequate to handle the load, the appraiser should require repair by a licensed electrician as needed for adequate and safe operation.

Any local building authority requirements due to **building code enforcement or urban renewal**, should be addressed on the appraisal.

**All rotted wood**, interior or exterior, must be replaced.  
**Excessive mildew** should be alleviated.

**Broken or cracked window panes** must be replaced.

**Fogged windows** do not have to be repaired, however the appraiser should consider them in the overall condition rating of the property.

**Torn screens** must be repaired or replaced.

**Chipped fixtures** (sinks, etc.) must be resurfaced or replaced if the chip causes a safety hazard (sharp edge) or causes the fixture to leak.

**Painted concrete** is an acceptable floor covering.

**Burglar bars** are acceptable on existing and proposed cases if there is a **release on at least one window per room or another means of rapid egress** (exterior door) from each room.

**Rented water heaters** are acceptable.

**Washing machines and laundry tubs** must have proper plumbing. It is not acceptable for laundry detergent to be drained into the yard.

Any permanently installed (or to be installed) **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the appraisal. The SAR will condition the Notice of Value as follows:

- the veteran purchaser's written acknowledgement that the dwelling contains an unvented fireplace or space heater which has not been inspected by VA, and
- a written heating/air conditioning contractor, that identifies the property and states that the unvented appliance
  - is equipped with an approved Oxygen Depletion Sensor, and
  - meets local building authority requirements, or is installed according to the manufacturer's recommendations if there are no local requirements.

In 1999, trichloroethene and other compounds were discovered in the groundwater at varying levels in the area of the **Vista View** and **Eastern Meadows subdivisions in Montgomery, AL**. **Appraisers who receive an assignment in either of these subdivisions should contact our office before proceeding with the appraisal. Our office will inform**

**the veteran and then advise the appraiser whether or not to complete the appraisal.**

VA does not have a written policy on:

- radon
- asbestos
- UREA formaldehyde
- toxic waste sites
- radio/communication towers
- earthquakes
- methane gas
- paint containing mercury

VA has no legislation that prohibits guaranteeing loans on properties affected by these items. Appraisers should report that the property is affected by any of these items and consider the affect the above items may have on the market value. Adjustments for these items should be market derived. There may be cases which should be rejected because of hazardous conditions. For example, a property may be included in an area which has been declared unsafe for human habitation by the EPA. An appraiser may state that a property is located next to a toxic waste site, but that no public agency has declared the site unsafe. In this case, the affect on market value should be considered, but the case should not be rejected.

## **Waivers on MPR Repair Items**

A required repair may be waived by VA if all of the following conditions are met:

- a veteran is under contract to purchase the property
- the **veteran** and **lender** request the waiver in writing
- the property is habitable from the standpoint of safety, structural soundness, and sanitation
- VA** is satisfied that the nonconformity has been fully taken into account by lowering the value determination (since the appraised value was estimated "as repaired")

Only repairs that are clearly **minor, uncomplicated, nonstructural, do not affect the safety, soundness or sanitation of the property, or are cosmetic** in nature, may be waived by the SAR, provided their total cost is the lesser of \$500 or 0.5 percent of the recommended value of the property. In this situation, justification for waiving the repairs must be fully supported and adequately documented by the SAR, including an inspection of the property, if appropriate.

## **Certification of Completion of Repairs**

The appraiser should **get a copy of the NOV** from the lender before doing a repair certification.

The appraiser must certify the repairs as **stated on the NOV** (not as stated on the appraisal).

All MPR repair waivers **must be approved by VA** as described above.

The appraiser should complete the repair certification within **48 hours**.

The completion of all repairs involving **defective paint** must be **certified by the fee appraiser**. Most other certifications may be done by the lender.

Repair certifications should be done on the appraiser's letterhead. There is **no official VA form to be used for repair certifications**.

The following information on VA Minimum Property Requirements is from Chapter 12 of the VA Lender's Handbook.

## 12.03 Basic MPRs

<b>Entity</b>	The property must be a single, readily marketable real estate entity.
<b>Nonresidential Use</b>	<p>Any nonresidential use of the property must be subordinate to its residential use and character.</p> <p>If any portion of a property is designed or used for nonresidential purposes, that property is eligible only if the nonresidential use does not</p> <ul style="list-style-type: none"><li>• impair the residential character of the property, or</li><li>• exceed 25 percent of the total floor area.</li><li>•</li><li>• <b>Note:</b> In making this calculation, the total nonresidential area must include storage areas or similar spaces that are integral parts of the nonresidential portion.</li></ul>
<b>Space Requirements</b>	<p>Each living unit must have the space necessary to assure suitable</p> <ul style="list-style-type: none"><li>• living</li><li>• sleeping</li><li>• cooking and dining accommodations, and</li><li>• sanitary facilities.</li></ul>
<b>Mechanical Systems</b>	<p>Mechanical systems must</p> <ul style="list-style-type: none"><li>• be safe to operate</li><li>• be protected from destructive elements</li><li>• have reasonable future utility, durability and economy, and</li><li>• have adequate capacity and quality.</li></ul>

*Continued on next page*

## 12.03 Basic MPRs, Continued

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### Heating

Heating must be adequate for healthful and comfortable living conditions:

If the property has an **unvented space heater**, see the requirements in Section 11.12.

Homes with a **wood burning stove** as a primary heat source must also have a permanently installed conventional heating system that maintains a temperature of at least 50 degrees Fahrenheit in areas with plumbing.

**Solar systems** for domestic water heating and/or space heating must

- meet standards in HUD Handbook 4930.2, Solar Heating and Domestic Hot Water Heating Systems, and
- be backed-up 100 percent with a conventional thermal energy subsystem or other backup system which will provide the same degree of reliability and performance as a conventional system.
- *Note:* VA field stations may determine that climatic conditions are such that mechanical heating is not required.

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### Water Supply and Sanitary Facilities

Each unit must have

- domestic hot water
- a continuing supply of safe and potable water for drinking and other household uses, and
- sanitary facilities and a safe method of sewage disposal.

**Reference:** For requirements regarding **individual** water supplies and individual sewage disposal systems, see Section 12.08.

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*Continued on next page*

## 12.03 Basic MPRs, Continued

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<b>Roof Covering</b>	<p>The roof covering must</p> <ul style="list-style-type: none"> <li>• prevent entrance of moisture, and</li> <li>• provide reasonable future utility, durability, and economy of maintenance.</li> </ul> <p>When a defective roof with three or more layers of shingles must be replaced, all old shingles must first be removed.</p> <hr/>
<b>Crawl Space</b>	<p>The crawl space must</p> <ul style="list-style-type: none"> <li>• have adequate access</li> <li>• be clear of all debris, and</li> <li>• be properly vented.</li> </ul> <p>The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.</p> <p>Any <b>excessive dampness or ponding of water</b> in the crawl space must be corrected.</p> <hr/>
<b>Ventilation</b>	<p>Natural ventilation of structural spaces such as attics and crawl spaces must be provided to reduce the effect of excess heat and moisture which could cause decay and deterioration of the structure.</p> <hr/>
<b>Electricity</b>	<p>Each unit must have electricity for lighting and for necessary equipment.</p> <hr/>

## 12.04 Shared Facilities and Utilities

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<b>Facilities</b>	Facilities such as laundry and storage space or heating may be shared in two-to-four living unit buildings under a single mortgage.
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<b>Utilities</b>	<p>Utility services must be independent for each living unit, except</p> <ul style="list-style-type: none"><li>• living units under a single mortgage or ownership may share water, sewer, gas, or electricity as long as there are separate service shut-offs for each unit, and</li><li>• living units under separate ownership may share connections from the main to the building line when those connections are protected by<ul style="list-style-type: none"><li>– easement or covenant, and</li><li>– a maintenance agreement acceptable to VA.</li></ul></li></ul>
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Individual utilities serving one living unit shall not pass over, under, or through another living unit unless there is a legal provision for permanent right of access for maintenance and repair of the utilities without trespass on adjoining properties.

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## 12.05 Access-Related Issues

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<b>Access to Property</b>	Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street.
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Private streets must be

- protected by a permanent easement, and
- maintained by a homeowners association or joint maintenance agreement.

All streets must have an all-weather surface.

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**Access to  
Living Unit**

Access to the living unit must be provided without passing through any other living unit.

Each living unit must be able to be used and maintained individually without trespass upon adjoining properties. Any easements required must run with the land.

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**Access to Rear  
Yard**

Access to the rear yard must be provided without passing through any other living unit.

For a row-type dwelling, the access may be by means of

- alley
  - easement
  - passage through the subject dwelling, or
  - other acceptable means.
- 

**Access for  
Exterior Wall  
Maintenance**

There must be adequate space between buildings to permit maintenance of the exterior walls.

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## 12.06 Hazards and Defective Conditions

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### Hazards

The property must be free of hazards which may

- adversely affect the health and safety of the occupants
  - adversely affect the structural soundness of the dwelling and other improvements to the property, or
  - impair the customary use and enjoyment of the property by the occupants.
- 

### Defective Conditions

Conditions which impair the safety, sanitation, or structural soundness of the dwelling will cause the property to be **unacceptable** until the defects or conditions have been remedied and the probability of further damage eliminated. Such conditions include but are not limited to

- defective construction
  - poor workmanship
  - evidence of continuing settlement
  - excessive dampness
  - leakage
  - decay, and
  - termites.
- 

### Drainage

The site must be graded so that it

- provides positive, rapid drainage away from the perimeter walls of the dwelling, and
  - prevents ponding of water on the site.
- 

### Wood Destroying Insects/Fungus/Dry Rot

Appraisers must look for and report evidence of wood destroying insect infestation, fungus growth, and dry rot in addition to any VA requirement for an inspection of the property by a wood destroying insect inspector.

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*Continued on next page*

## 12.06 Hazards and Defective Conditions, Continued

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### Lead-Based Paint

Lead-based paint constitutes an immediate hazard that must be corrected, unless testing shows that lead is not present in the paint at a level above that permitted by law.

Appraisers must

- assume that a defective paint condition (involving cracking, scaling, chipping, peeling, or loose paint) on any interior or exterior surface of properties built prior to 1978 involves lead-based paint
- clearly identify the location of such conditions, and
- recommend correction.

Any defective paint condition identified must receive adequate treatment to prevent the ingestion of contaminated paint. Either

- the surface requiring treatment must be thoroughly washed, scraped, wirebrushed or otherwise cleaned to remove all cracking, scaling, peeling, chipping and loose paint and then repainted with two coats of a suitable nonleaded paint, or
- the paint shall be completely removed or the surface covered with a suitable material such as gypsum wallboard, plywood or plaster before any painting is undertaken if the paint film integrity of the surface needing treatment cannot be maintained.

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### Party Walls

A building constructed to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the roof ridge. The wall may separate row type townhouses or semi-detached units.

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## 12.07 Fuel Pipelines and High Voltage Electric Lines

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### Gas and Petroleum Pipelines

No part of any residential structure may be located within a high pressure gas or liquid petroleum pipeline easement.

Any detached improvements even partially in the pipeline easement will not receive value for VA purposes.

If a proposed residential structure will be located outside the pipeline easement, but within an area that extends 220 yards on either side of the centerline of the pipeline itself, the VA notice of value will be conditioned for the following, as applicable:

- High Pressure Gas Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 192.607, 192.609, 192.611 and 192.613.
- Liquid Petroleum Pipelines – A statement from an authorized official of the pipeline company certifying compliance with 49 CFR 195 and amendments thereto.

[\[49 CFR 192.607, 192.609, 192.611 and 192.613\]](#)  
[\[49 CFR 195\]](#)

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### High Voltage Electric Transmission Lines

No part of any residential structure may be located within a high voltage electric transmission line easement.

Any detached improvements even partially in a transmission line easement will not receive value for VA purposes.

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## 12.08 Individual Water Supply/Sewage Disposal Requirements

<b>Connection to Public System</b>	Connection to a public or community water/sewage disposal system is required whenever feasible.
<b>Water Quality</b>	<p>Water quality for an individual water supply must meet the requirements of the health authority having jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.</p> <p>If the health authority is unable to perform the water quality analysis in a timely manner, a commercial testing laboratory or a licensed sanitary engineer acceptable to the health authority may take and test the water sample.</p>
<b>Water Treatment Systems</b>	<p>Water treatment systems are not acceptable for wells which do not meet VA quality standards due to insufficient depth or a contamination source near the supply.</p> <p>However, if public water is not available and individual water supplies in the area are served by an aquifer confirmed by the health department to be contaminated, the property is eligible for a VA loan if the lender provides</p> <ul style="list-style-type: none"><li>• a copy of the health department letter confirming the aquifer contamination</li><li>• evidence that all of the requirements in HUD Mortgage Letters 92-18 and 95-34, concerning individual water purification systems, have been met for the property, and</li><li>• the veteran purchaser's written acknowledgment that he/she understands that the well water serving the property must be continuously treated by the homeowner, as required by the local health department, to be considered safe for human consumption.</li></ul>

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*Continued on next page*

## 12.08 Individual Water Supply/Sewage Disposal Requirements, Continued

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### Shared Wells

The following requirements must be met for a shared well:

- The well must be capable of providing a continuing supply of safe and potable water to each property simultaneously, so that each dwelling will be assured a sufficient quantity for all domestic purposes.
  - There must be a permanent easement which allows access for maintenance and repair.
  - There must be a well-sharing agreement which
    - makes reasonable and fair provisions for maintenance and repair of the system and the sharing of those costs
    - is binding on the signatory parties and their successors in title, and
    - is recorded in local deed records.
- 

### Sewage Disposal System

An individual sewage disposal system must adequately dispose of all domestic wastes in a manner which will not create a nuisance, or in any way endanger the public health.

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### Pit Privies

Individual pit privies are permitted where such facilities are customary and are the only feasible means of waste disposal, provided they are installed in accordance with the recommendations of the local health authority.

If the local health authority has no requirements, U.S. Public Health Service requirements apply.

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## PROPERTIES NEAR AIRPORTS

The following information was taken from Chapter 11 of the VA Lender's Handbook. This information is provided here to assist appraisers and Staff Appraisal Reviewers in determining VA requirements for properties near airports.

Appraisers are responsible for maintaining noise zone maps for airports in their assigned area.

**Properties Near Airports** The appraisal report must identify any airport noise zone or safety-related zone in which the property is located.

Noise Zones are defined in decibels (db) in the table below.

Noise Zone	CNR (Composite Noise Rating)	NEF (Noise Exposure Forecast)	DNL (Day/Night Average Sound Level)
1	Under 100 db	Under 30 db	Under 65 db
2	100-115 db	30-40 db	65-75 db
3	Over 115 db	Over 40 db	Over 75 db

- Clear zones are areas of highest accident risk located immediately beyond the ends of a runway.
- Accident potential zones are beyond the clear zones but still have significant potential for accidents. Only military airports identify them.
- No existing property will be rejected because of airport influence if that property is already the security for an outstanding VA loan.

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*Continued on next page*

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**Properties Near  
Airports**  
(continued)

Depending on the type of construction and the airport noise or safety-related zone involved, the following requirements also apply with regard to the appraisal and/or VA value notice:

<b>Type Construction</b>	<b>Noise Zone One</b>	<b>Noise Zone Two</b>	<b>Noise Zone Three</b>	<b>Clear Zone</b>	<b>Accident Potential Zone</b>
Proposed	A	A, B, C, D	E	F	A, C, H, I
New/Existing	A	A, D	A, D	A, C, G	A, C, I

<b>Requirement</b>	
A	The fee appraiser's market data analysis must include a consideration of the effect on value, if any, of the property being located near an airport.
B	Sound attenuation features must be built into the dwelling to bring the interior DNL of the living unit to 45 decibels or less.
C	Available comparable sales must indicate market acceptance of the subdivision in which the property is located.
D	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an area near an airport and that aircraft noise may affect livability, value and marketability of the property.
E	Not acceptable as the security for a VA loan unless the project was accepted by VA before noise zone 3 contours were changed to include it. In that situation, the requirements for proposed construction in noise zone 2 must be met.
F	Not acceptable as the security for a VA loan.
G	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located near the end of an airport runway and that this may have an affect upon livability, safety, value and marketability of the property.
H	The project in which the properties are located must be consistent with the recommendations found in the airport's Air Installation Compatible Use Zone (AICUZ) report.
	The veteran must sign a statement which indicates his/her awareness that the property being purchased is located in an accident potential zone and that this may have an affect upon livability, safety, value and marketability of the property.

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## MANUFACTURED HOMES

The States of Alabama, Florida, and Mississippi each have a Manufactured Home Commission regulating the installation of manufactured homes. According to **state law in each of these states**, all manufactured home installations must be done by an individual who is properly licensed by the state.

In each of these states, candidates for licensure must complete training requirements and pass an exam. Licensees must take continuing education classes regularly. All installations are subject to inspection by state inspectors for compliance with all applicable codes.

The licensed installer must **affix a decal issued by the state** to the manufactured home. Typically, the decal will be affixed near the HUD label. Otherwise, the decal should be affixed to the lower left corner at the taillight end of the home.

**The appraiser must either:**

- certify on the URAR that the **licensed installer's decal was affixed to the manufactured home**

OR

- mark page 2 of the URAR "subject to repairs" with the following condition **"Provide evidence from a licensed installer that the manufactured home is installed in accordance with state requirements or retrofitted as closely as possible"**. The SAR or VA staff will then place this requirement in Item #20 of the Notice of Value (NOV).

**VA no longer requires installation of a perimeter wall.**

On proposed cases, the **VA compliance inspector** will verify that a decal has been affixed by a licensed installer at the final inspection.

All manufactured home installations must be completed by state-licensed installers. The work of **professional engineers, general contractors** and others in the construction field is **not acceptable** unless they also hold a manufactured home installer's license from the state.

## The Uniform Residential Appraisal Report (URAR)

This section highlights areas of concern the appraiser should address when completing the URAR. This section is organized with items in the **same order as they appear on the URAR**.

All VA appraisals **must conform to USPAP** (Uniform Standards of Professional Appraisal Practice) and meet the additional requirements throughout this training guide that VA considers to be supplemental to USPAP. There are potential exceptions:

- VA prior approval is required for the extremely rare case in which a “restricted” appraisal is justified.
- With the exception of liquidation appraisal updates, VA prior approval is required for any case in which the USPAP departure rule is used.
- The USPAP jurisdictional exception permits Federal agencies to follow their own requirements when there is a conflict between USPAP and Federal agency requirements.

VA considers **reasonable value** and **market value** to be synonymous. VA’s definition of market value is consistent with that used by Fannie Mae, Freddie Mac, and major appraisal organizations. The reasonable value of a property is that figure which represents the amount a reputable and qualified appraiser, unaffected by personal interest, bias, or prejudice, would recommend to a prospective purchaser as a proper price or cost in the light of prevailing conditions.

Any appraisal which is not based on recognized appraisal practices in order to “**accommodate**” the sale price is unacceptable and will result in VA disciplinary action.

The **VA Case Number** must be in the upper right corner of each page of the URAR.

If the subject **address** is a rural route and box number, the appraiser should provide the street name and pencil in any needed streets on the location map.

The appraiser must include the **complete legal description** on the URAR or on an addendum. The lender must give the appraiser a complete legal, however, the appraiser is responsible for verifying it.

The appraiser should provide the **assessor’s parcel number** and the **real estate taxes**. These items are needed by our Property Management Section.

Appraisals of **condos and PUDs** are covered on page 39.

The following 4 items must be in the **Neighborhood Section** of the URAR:

1. Typical **sales price to listing price ratio**
2. The extent of **increase or decrease in average marketing time** (for example in the last 3 months, the listing period in this market area decreased from 180 to 90 days)
3. The following certification: **“I have considered relevant competitive listings/contract offerings in performing this appraisal, and any trend indicated by that data is supported by the listing/offering information included in this report.”**  
(The appraiser must provide an addendum with listing/offering information anytime a time adjustment is made or when there is a significant transition in the neighborhood. For each listing or contract this addendum must show typical **MLS listing data, how long the property was on the market, any changes in the list price** and a short **statement comparing it to the subject.**).
4. A report on the prevalence of sales/financing concessions.

All origination appraisals are to be appraised for **residential purposes, not highest and best use**. Liquidation appraisals are always appraised for highest and best use.

Report any **Airport Noise Zone, Clear Zone, and Accident Potential Zone** information in the site section. It is the appraiser's responsibility to obtain the appropriate maps from major airports in the area. Information from the Lender's Handbook on these zones is reprinted on pages 29-30.

Any **excess land** should be described in the site section. Farm residences shouldn't be difficult to appraise if a sufficient number of similar properties are in the area. The appraiser should include in value that portion of the land considered typical in size when compared to other residential sites in the market area. The remaining land should be valued as raw, undeveloped, and uncultivated land. Although VA doesn't make farm or other business loans, the law allows veterans to use their Loan Guaranty benefit to purchase a farm that includes a farm residence. The appraiser must not value any livestock, crops or farm equipment. **Barns and other buildings** should be valued only as they contribute to the residential nature of the property.

The appraiser must provide up to date **flood zone information** including the map panel number and zone.

On origination appraisals, **MPR repairs** should be shown at the bottom of page one in the **Comments section - condition of improvements** or on an addendum if the repair list is lengthy.

Any **unvented fireplace** or **unvented space heater** using liquid or gaseous fuel must be reported in the Comments section, condition of improvements on page one.

The **cost approach is not required** unless it is needed for support on an unusual case.

The **dates the appraisal assignment was received, appraised, and e-mailed** should be shown in the cost approach comments area. Timeliness is discussed on page 9.

The estimated **remaining economic life** should be provided. If the estimate is less than 30 years, an explanation should be provided.

**Comparable sales** should not be more than 1 year old. The appraiser should use the most recent, similar sales available. Good comparables require minimal adjustments. Any large adjustments must be explained. Adjustments based on anything other than market reaction (for example, builder costs) are not acceptable.

**Listings, pending contracts, and unsettled sales** may not be used as comparables, however, they can be used to support a time adjustment.

If a **time adjustment** is made, at least 3 contract offerings or competitive listings must be provided to support the time adjustment. The information that must be provided in this addendum is shown in item #3 on page 33. Contract offerings are more reliable than listings. Any new construction contracts must show optional items, variations from the basic house type, and any sales/financing concessions.

On the market data grid, give **no value to satellite dishes or above-ground pools on the subject property** (no matter how far the pool is in the ground). If these items are mentioned in the features on page one of the URAR, include a notation that they were given no value.

Any **additions to the comparables after the sale date** should be noted in the comments (such as new pools, porches, or car storage enclosures).

The appraiser should mark the box for **“as-is” if the subject meets MPRs**.

**If repairs are required**, the appraiser should mark the box for **“subject to repairs”** and include the following statement in the “conditions of appraisal” in the Reconciliation Section: **“Subject to the MPR repairs noted in the comments section”**.

If the **purpose of the VA guaranteed loan is to make alterations, improvements, or repairs costing in excess of \$3500**, the appraiser must provide an “as-is” value in addition to the “subject to repairs” value. (For example, a veteran may be refinancing to add a swimming pool.)

Signature requirements for fee appraisers and assistants are discussed on page 6.

## LIQUIDATION APPRAISALS

All liquidation appraisals must be for **highest and best use** and the property must be valued “**as-is**”. A liquidation appraisal is **not an appraisal of value under forced sale or foreclosure conditions**.

All liquidation appraisals must be completed within **5 business days** except for vacant properties in Alabama and Mississippi where appraisers may have to hold assignments until the servicer can arrange for access to the interior.

The appraiser must make at least three attempts to gain access to a property. If access can't be gained and the property is **occupied**, an appraisal may be completed from the street.

If the property is **vacant and located in Alabama or Mississippi**, the appraiser should notify the requester about any problems gaining access immediately and place the assignment on hold until access can be gained. The 5 day time frame starts when access becomes available.

For **vacant properties in Florida**, if the appraiser is unable to obtain access from the owner or the requester, the appraiser should complete the appraisal from the street and observe the 5 day time frame from the date the assignment was received.

The appraiser must state whether the subject is **occupied or vacant**. If the subject is vacant, specify whether it is **secure or unsecure**.

The appraiser must provide a **repair list** with the cost and contributory value of each repair item, including any repairs needed to secure the house as shown on page 37. If access is not available, a list of all repairs visible from the street should be provided.

The appraiser must provide three **competitive listings** as shown on pages 37.

If the subject is owned by VA, the appraiser must **sign and date the sign-in card** found on the kitchen counter.

If the structure has been **extensively damaged by fire** so that it has no contributory market value, the appraiser should appraise the land (using land sales) and any unaffected improvements, adjusting if necessary for the cost of demolishing the structure. No “as repaired” value is required in this situation. The Land Appraisal Report form may be used.

All liquidation appraisals should be **e-mailed to VA** at [Liquidation@vba.va.gov](mailto:Liquidation@vba.va.gov) with **a copy to the requester** if the requester provides their e-mail address on the appraisal request.

**The following addendum is from Chapter 11 of the VA Lender's Handbook. Fee appraisers may copy this addendum form or provide the information in another format.**

A Pamphlet 26-7, Revised Chapter 11: Appraisal Requirements

## Figure 1: Liquidation Appraisal Addendum Example

### LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. \_\_\_\_\_

**INTERIOR ENTERED?** \_\_\_\_\_ (if unable to gain access, show at least three earnest attempts):

	<u>Date</u>	<u>Time</u>	<u>Phone</u>	<u>Contact</u>	<u>Comments</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

**PROPERTY VACANT OR OCCUPIED?** \_\_\_\_\_ **PROPERTY SECURED?** \_\_\_\_\_  
**REPAIRS NEEDED?** \_\_\_\_\_ (indicate emergency repairs with an asterisk by the number):

<u>Description</u>	<u>VA MPR</u>	<u>Est.</u>	<u>Est.</u>
<u>Value</u>	<u>Violation?</u>	<u>Cost</u>	<u>Contributory</u>
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
Totals		\$ _____	
		\$ _____	

#### ANALYSIS OF LISTINGS AND OFFERS:

No. 1 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
 Days on Market \_\_\_\_\_ Comparison with Subject \_\_\_\_\_

No. 2 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
 Days on Market \_\_\_\_\_ Comparison with Subject \_\_\_\_\_

No. 3 - Sales Price (current and previous with dates of change) \$ \_\_\_\_\_  
 Days on Market \_\_\_\_\_ Comparison with Subject \_\_\_\_\_

**COMMENTS/CONTINUATIONS:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## APPRAISING INCOME PROPERTIES WITH 2-4 LIVING UNITS

The appraisal should be prepared on the **Small Residential Income Property Appraisal Report** (FNMA 1025).

Income property appraisals are **eligible for processing under LAPP**.

Do not include **illegal units** in value. **Grandfathered units** may be valued however, the fact that a unit is grandfathered must be reported.

If a property has a **guest house** which cannot be legally rented, the appraisal should be done on the URAR with no value given to any rental income. The guest house should be valued as it contributes to the residential nature of the property.

Property owners will sometimes add living units without obtaining approval from the local authorities. Local regulations vary greatly. In some areas, **city code enforcement departments** are quite vigilant in requiring the removal of illegal units.

Living units in a 2-4 unit property may **share water, sewer, gas and electricity** as long as there are separate service shut-offs for each living unit. Laundry, storage, and heating may also be shared.

VA relies exclusively on the **sales comparison approach**. The income approach may support the sales comparison approach. The VA value estimate should never exceed the value indicated by the sales comparison approach.

# APPRAISING CONDOMINIUMS & PUDs

## CONDOMINIUMS

Appraisals of condominiums must be prepared on the **Appraisal Report - Individual Condominium or PUD Unit** (FNMA 1073/FHLMC 465).

The **HOA fee**, a **list of the common elements**, and any **utilities included in the HOA fee** should be provided in the appraisal.

The appraiser must comment on the **adequacy of the monthly assessment** based on the adequacy of the project's budget and a comparison to competitive properties. If the monthly assessment is believed to be inadequate, the appraiser should recommend a fair assessment.

**The appraiser does not need to check on VA condo approval.** The SAR or VA Staff will do that when issuing an NOV.

**Instructions for SARs** concerning condos are on page 51.

## PUDs

Appraisals of properties in PUDs should be done on the **URAR**.

The appraiser should mark the **PUD block**, report the **HOA fee** and complete the PUD section on page one of the URAR including a list of the common elements.

If the HOA fee is **voluntary**, the PUD block should not be marked.

VA is **no longer maintaining a list of approved PUDs**.

**Instructions for SARs** concerning PUDs are on page 51.

## APPRAISING PROPOSED CONSTRUCTION

The following **certification** should be included on the appraiser's **floor plan** or on the **floor plan page of the building plans** on all proposed cases:

"I hereby certify that the information contained in \_\_\_\_\_ (specific identification of all construction exhibits (for example, Smith Construction Plan Type A, 9 sheets, VA Form 26-1852, plot plan by Jones, Inc.) \_\_\_\_\_ was used to arrive at the estimate of reasonable value noted in this report.  
\_\_\_\_\_  
(Appraiser's Signature)"

Only **1 set of plans and specifications** is required which will be scanned and e-mailed with the appraisal. The lender is now responsible for forwarding a set of plans/specs to the VA assigned compliance inspector.

The appraiser should include no more than the following **construction exhibits**:

- Description of Materials (VA Form 26-1852)
- Plot Plan
- Foundation Plan
- Floor Plan
- Exterior Elevations
- Wall Section

Plans/specs must be **no larger than legal size paper**.

Plans/specs must be **legible** (IF YOU CAN'T READ IT - WE DON'T WANT IT).

**Specification formats** which substantially conform to VA Form 26-1852, Description of Materials, are acceptable.

The appraiser must **calculate the square footage** of living area. The appraiser must not rely on the builder's square footage figure. Square footage calculations and exterior dimensions must be shown on the sketch. Appraisers may copy the builder's floor plan drawing and use it as a sketch.

## PROPOSED or EXISTING ????????????????

Existing Construction - only customer preference items are needed

Proposed Construction - more than customer preference items are needed

Examples:

### Customer Preference Items

Wall finishes  
Floor covering  
Appliances  
Interior painting  
Minor trim work  
Sodding/seeding  
A/C Equipment

### **Not** Customer Preference Items

Electrical Wiring  
Plumbing Fixtures  
Drywall  
Rough Grading  
Roof shingles  
Exterior doors  
Windows

If a set of plans/specs is included with an appraisal order, yet the house is existing, the appraiser should **still appraise it as “proposed construction”** and “subject to completion per plans/specs”.

On proposed construction assignments, the appraiser should not value anything that isn’t incorporated into the plans/specs. For example, don’t consider

- verbal input from builders, lenders, or anyone else
- items in a sales brochure
- items in a model home
- items in the sales contract
- items in the sales contract
- items in the sales contract

Don’t value items that have been constructed if they are not in the plans/specs (please note any discrepancies in your report).

Don’t value items labeled “**optional**” or “**opt**” in the plans/specs.

**If the plans/specs differ, rely on the specs** and note the discrepancy in the appraisal report.

Select comparable sales that have recently sold as new homes if available. Utilizing sales that are sold as older existing previously occupied properties when appraising proposed construction cases is not acceptable when sales of new homes are available in the market area. The appraiser should be considering new RECENT resales and sales of new homes in comparable subdivisions.

Building plans **no longer need to be certified before an NOV** is issued so the appraiser doesn't need to look for any certifications on the plans. The SAR or VA staff will place a condition on the NOV if the plans are not certified.

## MASTER CERTIFICATE OF REASONABLE VALUE (MCRV)

The request must include the construction exhibits needed in a proposed construction case for each model in addition to these items:

- completed **MCRV Worksheet** (VA Form 26-1843b)
- Building Program Statement** which includes:
  - total number of dwellings to be built in project
  - number of dwellings anticipated, starting and completion dates for primary phase
  - details on construction, dedication, and maintenance of streets and utilities
  - details of any special assessments to be assumed by purchaser

A URAR should be prepared for each model. The appraisal should be done under the guidelines for proposed cases. The following information is also needed:

narrative analysis of the project including:

- current status of project (development stage, number of sales)
- status of off-site improvements (streets, common areas)
- any condo/PUD information not sufficiently covered on URAR

list of all options with a value estimate for each one

list of all offsite improvements included in value

list of all lots/units including:

- each lot number or legal description
- value estimate for each lot
- total value estimate for each lot and basic improvements to be built on it (or schedule providing for substitution of models on individual lots)

legible plat (full size is preferred; reduced is acceptable if legible)

The appraiser should value each lot and sign the MCRV Worksheet in the block labeled "Chairman".

Use the **lowest valued lot**, not the typical lot for the **base value**.

The appraiser must gain access to any existing units and adjust for condition if necessary. The additional fee for inspecting each existing unit is \$30.00.

If the plans show more than one elevation, indicate which one was appraised.

The timeliness requirement for MCRVs is **15 days**. If an extension is needed, please call our office.

Appraisers may accept model and lot additions **directly from the lender**. The fee for lot additions after the MCRV is issued is \$10.00 each.

The **fee schedule** is on pages 49.

The appraiser should e-mail the completed MCRV to VA at [VAStaffAppraisers@vba.va.gov](mailto:VAStaffAppraisers@vba.va.gov) MCRVs are not eligible for LAPP.

## RECONSIDERATION OF VALUE

The request for a reconsideration of value may be from **any party of interest** (veteran, lender, builder, seller, real estate agent, etc.). The veteran does not have to join in the request.

The request must be **in writing**. In LAPP cases, the request should include the **SAR's recommendation**. The request can range from a letter asking us to review the original URAR and see if we can grant an increase, to a new appraisal performed by a state certified appraiser. An additional appraisal made by a VA fee appraiser not assigned by VA can be used to support a request for an increase in value, as long as the veteran purchaser is not required to pay any portion of the cost of that additional appraisal.

While there is no requirement that market data be included with a request, it will greatly assist VA in reviewing the request. Pending sales may be considered in a reconsideration of value. Any construction contracts should clearly show any optional items or sales and financing concessions. Documentation such as a closing statement, multiple listing, or recorded deed from a real estate data service should be provided for any sales submitted.

Sales data that is older than the data in the appraisal, sales outside of the subject neighborhood, sales unlike the subject in size, age or condition, and property tax assessments are not generally considered in evaluating an increase.

The request should be submitted **directly to the fee appraiser**. This office will entertain requests for a waiver of this new policy on a case by case basis.

The fee appraiser will:

- record on the request the date it was received
- review the request and any supporting documentation
- prepare a written recommendation (in most cases, this will include a sales comparison grid; if the comparables submitted with the appeal are not appropriate comparables, the appraiser should write a letter explaining why the sales are not appropriate comparables instead of preparing a grid)
- forward a **recommendation to the lender if an increase of 2% or less is justified on a LAPP case**
- forward a recommendation **to VA in all other situations**; VA will then review the case, make a decision and notify the lender.

The appraiser may charge a reasonable fee (proportional to the amount of work required) for this service unless an error was made and applicable market data (that was available at the time of the appraisal) was overlooked.

## STAFF APPRAISAL REVIEWER'S (SAR's) GENERAL TOPICS

Timely service to veterans is a high priority of this office. SAR's are required to send the veteran the Notice of Value and a copy of the reviewed appraisal report **within 5 business days** of the lender's earliest receipt of the appraisal report by the SAR or an authorized agent/broker. LAPP Lenders are **responsible for resolving any timeliness problems** involving authorized agents and branch personnel.

NOV's may be issued in **TAS (The Appraisal System)**.

Only the VA authorized SAR may **contact the appraiser** to discuss valuation matters. Branch office staff and authorized agents may contact fee appraisers about timeliness.

Due to state requirements for **licensing appraisers in Florida**, SAR's are **not** authorized to change a value without the fee appraiser's concurrence. Any changes over 2% must be approved by VA. Reconsiderations of value are discussed on page 45. The SAR may change the value up or down by 2% on properties located in Alabama or Mississippi. The justification for all changes must be well documented.

If the appraiser makes a **typographical or mathematical error**, the SAR should have the appraiser correct the appraisal. Then, the SAR may issue the NOV using the corrected appraisal.

The following certification will be made **electronically in TAS** when each NOV is issued:

"I reviewed this appraisal report to determine the acceptability of the property for VA Loan Guaranty purposes in light of VA minimum property requirements and the appropriateness, completeness, consistency and accuracy of the fee appraiser's reasonable value determination. In completing this administrative review, I'm performing a due diligence function and not acting as, or taking the responsibility of, a cosigner of the report or supervisory appraiser. Any disagreements or comments, etc., resulting from the administrative review of this appraisal are fully explained on the attachment to this report.

Since appraisals are now being processed electronically, SARs are no longer required to circle the value on the appraisal or sign and state after the SAR certification.

Appraisals involving **HUD value determinations** are not eligible for LAPP.

## LOCAL ISSUES

SARs are responsible for staying informed about local VA requirements unique to the VA jurisdiction in which a property is located.

Local requirements for all states are available online at [http://www.homeloans.va.gov/cav\\_approved\\_local\\_conditions.htm](http://www.homeloans.va.gov/cav_approved_local_conditions.htm)

Item #2 on the NOV (**Wood Destroying Insect Information**) is required on all NOVs for properties in Alabama, Florida and Mississippi. If the subject is a condominium unit on the ground floor, a **termite inspection** is required. If the unit is on the 2<sup>nd</sup> floor or higher, a termite inspection is not required unless the appraiser reports a termite problem.

All **manufactured homes** in Alabama, Florida, and Mississippi must be installed by a licensed installer. Please see page 31 for more information on processing manufactured home cases.

Due to the mild climate in South Florida, **heat is not required in the following counties:** Broward, Charlotte, Collier, Dade, Glades, Hendry, Lee, Martin, Monroe and Palm Beach.

In 1999, trichloroethene and other compounds were discovered in the groundwater at varying levels in the area of the **Vista View** and **Eastern Meadows subdivisions in Montgomery, AL**. **Appraisers who receive an assignment in either of these subdivisions should contact our office before proceeding with the appraisal. Our office will inform the veteran and then advise the appraiser whether or not to complete the appraisal.**

Due to **state law governing the appraisal of real estate in Florida**, SARs must have the **concurrence of the fee appraiser** to change the value on an appraisal by 2 % or less. Changes over 2% must be approved by VA.

## **APPRAISAL FEE SCHEDULE**

**This fee schedule is effective in Alabama, Florida and Mississippi.**

### **Individual Appraisals, Existing and Proposed**

One Family	\$300.00
Two Family	\$400.00
Three Family	\$450.00
Four Family	\$500.00
Condominium	\$335.00
Manufactured Home(perm. foundation)	\$300.00

### **Master Certificate of Reasonable Value (MCRV)**

Each Basic Plan Type	\$300.00
Each Condominium Plan	\$335.00
Each Lot or Unit	\$ 5.00
Each Lot or Unit ADDED after issue	\$ 10.00
Minimum Fee	\$600.00

### **Manufactured Home**

Manufactured Home Unit	\$210.00
Manufactured Home Unit and Lot	\$300.00
Lot Only	\$160.00
Manufactured Home (perm. Foundation)	\$300.00

### **Miscellaneous**

Partial Release Single Family	\$325.00
Repair Certification	\$ 65.00
Existing MCRV Condition Inspection	\$ 35.00

## ISSUING NOTICES OF VALUE

All SAR's are now authorized to issue Notices of Value (NOVs) **online in TAS** (The Appraisal System). Each SAR is assigned his/her own Login ID by the TAS system. For assistance logging into TAS, SARs should call our office.

NOV's on existing or newly constructed properties are **valid for 6 months** from the date of the appraisal. NOV's on proposed construction are **valid for 1 year** from the appraisal date. If a veteran signs a contract while the NOV is valid, the NOV will remain valid until the transaction is completed or terminated. **Extensions** to NOV's must be approved by VA.

All repairs involving **defective paint** must be certified by a fee appraiser.

**Compliance inspectors do not inspect repairs on existing properties** unless the loan involves alterations or improvements for which plans and specs are needed.

Repairs listed on the NOV involving roofing, heating, plumbing, electrical or structural work should include a notation that the work is to be done by a licensed individual.

Whenever there is an **unvented fireplace or unvented space heater**, the NOV should be conditioned as shown on page 16.

Information on Airport Noise Zones is reprinted on pages 29-30. If the fee appraiser reports the subject is in a noise zone, the NOV should be conditioned as indicated.

Issuing NOV's on **condos and PUDs** is discussed on page 51.

Issuing NOV's on **new construction** is discussed on page 52.

Issuing NOV's on **proposed construction** is discussed on page 53.

## ISSUING NOTICES OF VALUE on CONDOMINIUMS and PUDs

VA is no longer maintaining a list of approved PUDs. Condos must still be approved by VA.

Item #3 on the NOV should be marked if the subject is located in a PUD or a condominium.

The **status of condo approvals may be checked online in TAS** (The Appraisal System).

**VA will accept condominiums that have been fully approved by HUD.** VA will not accept “spot” approvals by HUD.

If the condo is **not VA approved**, the NOV will be conditioned: “This condominium must be approved by VA before any of its lots/units are eligible for VA loan guaranty.”

If the condo is **conditionally VA approved** (related requirements need to be satisfied), the NOV will be conditioned: “Evidence must be provided that VA requirements for this condominium have been met.”

Chapter 16 of the VA Lender’s Handbook explains **how to get condos VA approved**. There is an option described in Chapter 16, part B, which VA encourages, to expedite approval by **having an attorney review the condo documents** and issue an opinion that the documents meet VA requirements.

If any part of the subject condominium unit is on the ground floor, a **termite inspection** is required. If the unit is on the 2<sup>nd</sup> floor or higher, a termite inspection is not required unless the appraiser reports a termite problem.

## ISSUING NOTICES OF VALUE ON NEW CONSTRUCTION

New construction is appraised **without plans and specifications**. The fee appraiser must mark the URAR “**as-is**”, or “**subject to repairs**” if some customer preference items need to be completed. Customer preference items are described on page 41. New construction includes properties that have been completed less than one year and never owner-occupied.

Before issuing the NOV, the SAR must make sure the **builder is approved by VA**. Builder approval may be checked online in TAS (The Appraisal System).

The following items are required on the NOV on **all** newly constructed properties:

- Item 2 - Wood Destroying Insect Information (either 2a or 2b)
- Item 12 - “Not Inspected” Acknowledgment (mark 12a for 1 yr warranty, or 12b for 10 yr warranty)
- Item 14 - Energy Efficient Construction
- Item 15 - Lead/Water Distribution System
- Item 16 - Offsite Improvements (unless SAR has evidence that streets, drainage, water and sewer have been completed and accepted for maintenance by local authority – for example, if the lender just closed another case on the same block or the subject is a new home in an older, established neighborhood)

The **NOV must include either:**

- Item 13 - (Ten-Year Insured Protection Plan)
- OR
- Item 19 (Construction Warranty) for 1 yr Builder Warranty

The **following items should not be required:**

- Item #1 (Energy Conservation Improvements)
- Item #17 (Proposed Construction)
- Item #18 (Construction Inspections)

Many newly constructed homes are in **PUDs**. If the subject is in a PUD, Item #3 should be marked on the NOV.

In reviewing the appraisal, the SAR may find that other conditions such as Item #5 (Water/Sewage System Acceptability) and Item #8 (Flood Insurance) apply. This section is simply a guide to help with issuing NOVs on new construction.

## ISSUING NOTICES OF VALUE ON PROPOSED CONSTRUCTION

Before issuing the NOV, the SAR must make sure the **builder is approved by VA**. Builder approval may be checked online in TAS (The Appraisal System).

The following items are required on the NOV on **all** proposed construction cases:

- Item #2 - Wood Destroying Insect Information
- Item #16 - Offsite Improvements
- Item #17 - Proposed Construction
- Item #18 - Construction Inspections
- Item #19 - Construction Warranty (One year Builder Warranty)

The **following items should not be required**:

- Item #1 (Energy Conservation Improvements)
- Item #12 ("Not Inspected Acknowledgment")

Many proposed homes are in **PUDs**. If the subject is in a PUD, Item #3 should be marked on the NOV.

The **number of VA inspections needed** depends on whether or not the local building authority issues a certificate of occupancy and what type of warranty will be provided to the veteran.

-If the property is located in an area where the local building authority **issues a certificate of occupancy**, only a final VA compliance inspection is required. A copy of the certificate of occupancy or equivalent document must be obtained.

-If the property is **not** in a county where there are local building inspections, the SAR must require either:

- 3 VA Compliance Inspections
- OR
- Final VA Compliance Inspection & 10 year warranty

Remember, the builder's 1 year warranty (**Item #19**) is required in **all proposed cases**.

The following construction exhibits are needed. If any of these items are missing, the SAR must condition the NOV (Item #20) for them:

-VA Form 26-1852, Description of Materials (or a form which substantially conforms) signed by builder and veteran if there is a veteran under contract

-plot plan including location of well/septic systems if applicable

-all exterior building elevations (front, rear, sides)

-foundation or basement plan

-plan of all floors

-wall section

-certification signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states: "I certify that the construction exhibits for (identify property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping." VA will accept HUD form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.

**NOTE: Item #14** (Energy Efficient Construction) and **Item 15** (Lead/Water Distribution System) are **no longer needed** on NOVs for **proposed** construction since the plan certification statement that the builder has placed on the plans covers these items.

After reviewing the appraisal, the SAR may find that other conditions such as Item #5 (Water/Sewage System Acceptability) and Item #8 (Flood Insurance) apply. This section is simply a guide to help with issuing NOVs on proposed construction.

## Chapter 13

### Value Notices Overview

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**Importance of  
VA Value  
Estimate**

Accurate value estimates based on proper appraisal reviews are essential to the viability of the VA Loan Guaranty program and have a direct effect on the interests of the Government, veterans and lenders.

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**Rely Only on  
Notice of Value**

Since appraisal reports are subject to change upon review, lenders and holders should rely only upon a VA notice of value issued by the appraisal reviewer.

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**Issuing a Notice  
of Value**

The table below describes the steps to follow when issuing a Notice of Value.

Steps	Description	Refer to
1	Confirm eligibility of property for appraisal and LAPP processing.	<ul style="list-style-type: none"><li>• Chapter 10, and</li><li>• Section 15.09.</li></ul>
2	Review the appraisal report.	<ul style="list-style-type: none"><li>• Section 13.01, and</li><li>• Chapter 11.</li></ul>
3	Resolve any appraisal-related problems.	Section 13.02.
4	Document the appraisal review.	Section 13.02.
5	Prepare the Notice of Value.	<ul style="list-style-type: none"><li>• Section 13.04</li><li>• Section 13.05</li><li>• Section 13.06, and</li><li>• Section 12.08.</li></ul>
6	Distribute the Notice of Value.	Section 13.07.

VA Pamphlet 26-7, Revised  
Value Notices  
**Overview**, Continued

**Chapter 13:**

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**In this Chapter** This chapter contains the following topics.

<b>Topic</b>	<b>See Page</b>
13.01 Reviewing Appraisal Reports	13-3
13.02 Resolving LAPP Appraisal Review Problems	13-5
13.03 Documenting LAPP Appraisal Reviews	13-7
13.04 LAPP—Related Changes to Appraiser's Value Estimate	13-9
13.05 Preparing Notices of Value	13-11
13.06 Notice of Value Conditions and Requirements	13-12
13.07 Distributing Notices of Value	13-24
13.08 How Long Notice of Value is Valid	13-25
13.09 Changing Notices of Value	13-26
13.10 Transfer of Appraiser's Reports Between Lenders	13-29
13.11 Discovery of Title Limitations & Conditions	13-30
13.12 Effect of Major Disasters on Notices of Value	13-34
Exhibit 1—LAPP Lender's Notice of Value	13-35

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## 13.01 Reviewing Appraisal Reports

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### Purpose of Review

Every appraisal made for VA purposes **must** be reviewed either by the lender's VA-authorized staff appraisal reviewer (SAR) under the Lender Appraisal Processing Program (LAPP), or a VA staff appraiser in order to

- confirm that the photographs accurately reflect the appraiser's description of the subject and comparable properties
- verify that the appraisal report is fully complete, clear and prepared according to industry-accepted appraisal techniques and VA instructions
- determine that the appraiser's methodology is appropriate and that the appraiser's conclusions are consistent, sound, supportable, logical and based upon data in the appraisal report
- determine, through use of reasonably available information, that the appraiser's value recommendation and other conclusions are consistent with those in similar cases recently processed
- identify all property-related conditions and requirements that must be satisfactorily resolved before the property can become the security for a VA guaranteed loan, and
- issue a notice of value.

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### Handbook References for Reviewing Appraisal Reports

The following references in this handbook provide additional information when reviewing appraisal reports.

- Chapter 11
- Section 13.02
- Section 13.03
- Section 13.04
- Section 13.05
- Section 13.06
- Section 13.07, and
- Section 13.08.

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## 13.01 Reviewing Appraisal Reports, Continued

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**Other  
Reference  
Materials**

The appraisal reviewer must maintain up-to-date

- copies of this handbook and all other VA-issued directives and other reference material pertaining to the Loan Guaranty program.
- 
- For LAPP lenders, this includes the material issued by VA field stations having jurisdiction over each area where the lender originates LAPP loans
- 
- applicable Federal statutes and VA regulations
- “*Uniform Standards of Professional Appraisal Practice*,” published by The Appraisal Foundation ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)), and
- real estate market sales data (to be used for comparative purposes).

Additional material is recommended:

- Any publications providing instructions for completing the *Uniform Residential Appraisal Report* (URAR). In the event of a conflict between VA and private source material, however, the VA-issued material must be considered controlling.
- Other current reference materials regarding major real estate market conditions and trends. This includes weekend subscriptions to major newspapers, which typically have expanded real estate sections; industry-related newsletters; publications which provide analyses and forecasts of various housing and mortgage trends and relevant statistical data.

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**Real Estate  
Market  
Familiarity**

Although VA has no requirement that appraisal reviewers visit the geographic areas where appraised properties are located, they should keep up-to-date on major real estate market conditions and trends, in order to properly analyze the location-related information contained in appraisal reports.

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## 13.02 Resolving LAPP Appraisal Review Problems

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### Contact and Cooperation

LAPP lenders are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness of a particular appraisal, only the lender's VA-authorized staff appraisal reviewer (SAR) may contact the appraiser to discuss valuation matters.

VA fee appraisers are expected to cooperate in addressing concerns about the content of their appraisal reports and timeliness in completing assignments.

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### Additional Information

When information, methodology or conclusions in the appraisal report require additional clarification or support, the SAR must contact the fee appraiser and obtain the necessary information.

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### Appraisal Report Changes

Any clarification, correction or revision by a fee appraiser to an appraisal report must be in writing, signed and dated. The fee appraiser must clearly identify any revised appraisal report as such in bold letters.

The lender must attach any clarification, correction or revision to the original appraisal report provided by the fee appraiser. The withholding of this or any other appraisal documentation is unacceptable and may result in administrative action against the lender and/or fee appraiser, as appropriate.

**Reference:** See Section 13.04, which addresses restrictions on changes by the SAR to the fee appraiser's value estimate.

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*Continued on next page*

## 13.02 Resolving LAPP Appraisal Review Problems, Continued

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<b>Referral to VA</b>	<p>When a substantive problem is not corrected after a reasonable effort, the SAR must send the VA office of jurisdiction</p> <ul style="list-style-type: none"><li>• a written report which clearly outlines the problem(s) and the dates and results of contact with the fee appraiser, and</li><li>• the appraisal report and/or other pertinent documentation.</li></ul> <p>VA will subsequently notify the appropriate parties of its decision and document the fee appraiser's performance file, the lender's file and the case file, as appropriate. It may be necessary for VA staff to review the appraisal report and issue a VA Certificate of Reasonable Value.</p> <p><i>Note:</i> Refer all <b>complaints</b> about property condition or appraiser performance to VA.</p>
<b>Lender Timeliness</b>	<p>LAPP lenders are responsible for resolving any timeliness problems involving authorized agents and branch personnel.</p>
<b>VA Consistency</b>	<p>VA offices are expected to be as consistent as possible regarding NOV conditions and requirements. They must notify LAPP lenders in writing when a local situation dictates an additional condition or requirement not listed on the standard NOV.</p> <p><i>Reference:</i> See Exhibit 1, <i>LAPP Lender's Notice of Value</i>, in this chapter.</p>

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## 13.03 Documenting LAPP Appraisal Reviews

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### SAR are not Appraisers

VA does not consider the lender's staff appraisal reviewer (SAR) to be acting as an “appraiser” when reviewing appraisal reports, or taking on the responsibility of a “cosigner” or a “supervisory appraiser.” Except for the certification described below, the SAR should not sign, initial or make any comments or adjustments anywhere on the appraisal report.

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### SAR's Responsibility

The SAR **must**

- circle the fee appraiser's market value estimate
  - sign and date any SAR comments or other documentation relative to the appraisal review and attach that material to the appraisal report, and
  - complete the SAR certification.
- 

### SAR Certification Placement

The certification must be either

- stamped on the appraisal report in the “cost approach” or “reconciliation” block in a manner which least obscures other information, or
  - attached as a separate sheet which also includes the VA case number and property address.
- 

### SAR Certification Wording

The certification must be signed, dated and read, “I reviewed this appraisal report to determine the acceptability of the property for VA Loan Guaranty purposes in light of VA minimum property requirements and the appropriateness, completeness, consistency and accuracy of the fee appraiser’s reasonable value determination. In completing this administrative review, I’m performing a due diligence function and not acting as, or taking the responsibility of, a cosigner of the report or supervisory appraiser. Any disagreements or comments, etc., resulting from the administrative review of this appraisal are fully explained on the attachment to this report. This box [ ] is checked if there were none.”

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Signature

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LAPP ID. No.

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Date

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### 13.03 Documenting LAPP Appraisal Reviews, Continued

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**Implication of  
SAR  
Certification**

By making this certification and the certifications required with the application to participate in LAPP, the SAR is stating that in every case he/she

- personally reviewed the appraisal report
  - concurred with the fee appraiser's recommendation, except as noted in an attachment to the report
  - determined that the appraiser
    - used methodologies that were appropriate and reasonable in light of industry-accepted appraisal techniques
    - made conclusions that were consistent, based upon data in the report, and
    - complied with applicable VA requirements.
  - did not exert pressure or undue influence on the appraiser to change information or to reach a predetermined value for the subject property in order to accommodate the sale price or mortgage transaction, if clarification or corrections to the appraisal report were requested.
-

## 13.04 LAPP—Related Changes to Appraiser's Value Estimate

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### Change Restrictions

At the same time the notice of value is issued, the lender's staff appraisal reviewer (SAR) cannot change the fee appraiser's value estimate for VA purposes by more than two percent (either up or down), unless both

- a downward adjustment in excess of two percent is considered necessary, and
- the fee appraiser provides the SAR with written justification which fully supports the reduction, including relevant real estate market information.

**Reference:** For value increases of more than two percent and changes requested after the notice of value is issued, see Section 13.09.

---

### Change Must be Justified

Any change in the fee appraiser's value estimate, whether made by VA staff or the SAR, must be clearly warranted and fully supported by real estate market or other valid data considered adequate and reasonable by professional appraisal standards.

Documentation regarding a change made by the SAR must

- be attached to the original appraisal report
  - include any supporting documentation from the fee appraiser or any other source, and
  - include a completed sales comparison grid from an appraisal report form, or similar format, when appropriate. This analyzes any additional sales data, including adjustments for all value-related differences between the subject property and the additional sales.
- 

### Penalty for Abuse

If VA determines that the SAR's value change was unwarranted and resulted in a VA loss due to payment of a claim under guaranty, the lender must indemnify VA to the extent that VA determines such loss was caused or increased by the increase in value.

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## **13.04 LAPP—Related Changes to Appraiser's Value Estimate, Continued**

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**Potential  
Conflict With  
State**

SARs may not wish to exercise this authority where it is considered to be in conflict with State requirements.

In some states, the agency which regulates appraisers may take the position that any change in value by an appraisal reviewer subjects that individual to the State's requirements for appraisers.

January 1, 2001

13-10

## 13.05 Preparing Notices of Value

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### Format Under LAPP

Under LAPP, the lender's VA-authorized staff appraisal reviewer (SAR) must complete the standard notice of value form either on

- the lender's corporate letterhead, or
- attached to a statement on that letterhead which references it.

**Reference:** See Exhibit 1, *LAPP Lender's Notice of Value* in this chapter.

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### Format If Prepared by VA Staff

If prepared by VA staff, the notice of value will be either on

- VA Form 26-1843, Certificate of Reasonable Value (CRV) for an individual property, or
  - VA Form 26-1843a, Master Certificate of Reasonable Value (MCRV) for a group of related properties.
- 

### Notice of Value Contents

Every notice of value will include

- estimated reasonable value of the property (See Section 11.02).
- estimated remaining economic life of the property (See Section 11.10), and
- a list of any property-related conditions and requirements necessary for VA loan guaranty.

**Reference:** See Section 13.06.

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## 13.06 Notice of Value Conditions and Requirements

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### Introduction

Every notice of value (NOV) issued in conjunction with an appraisal review must include a list of any conditions and requirements that must be satisfied for the property to be eligible for VA loan guaranty.

**Reference:** See Section 13.05.

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### Table of NOV Conditions & Requirements

The Table of NOV Conditions and Requirements below

- lists each condition and requirement shown on the standard LAPP NOV in the same order as shown on that NOV
- explains when each item is applicable
- explains what action is required to satisfy the condition or requirement, and
- references any additional information about the item in this handbook.

**Reference:** See Exhibit 1, in this chapter for the standard LAPP NOV.

NOV Item	Instructions for Preparing the NOV
Energy Conservation Improvements	<p>Check this item for every property appraised as “existing construction.”</p> <p><b>Note:</b> Proposed or under construction” and “new construction” cases are not eligible for VA’s Energy Efficient Mortgage program.</p> <p>This action allows lenders to increase the loan amount for buyers to make energy efficiency improvements to the property.</p> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 1</i> on the NOV</li><li>• Section 7.03.</li></ul>

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## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Wood Destroying Insect Information	<p>Check the appropriate items if the property is located in an area where the probability of termite infestation is "very heavy" or "moderate to heavy" according to the Termite Infestation Probability Map published in The <i>Council of American Building Officials</i> (CABO) One and Two Family Dwelling Code.</p> <p><b>Note:</b> If there is a question about the location of an infestation probability boundary line in relation to the subject property, contact the VA office of jurisdiction to determine if this requirement is applicable.</p> <p><b>Additional Requirements</b></p> <ul style="list-style-type: none"><li>• In cases processed as "New Construction," the builder can meet the requirements for either "existing construction" or "proposed or under construction."</li><li>• The pest control operator must meet all requirements of the State in which the property is located.</li><li>• In States which require the use of a State inspection form in all transactions, the State form is acceptable for VA loan guaranty purposes.</li><li>• Inspection reports are valid for VA purposes for 90 days from the date of inspection.</li></ul> <p><b>References:</b> See Section 12.06.</p>
Lien Supported Assessment	<p>Check the appropriate items and provide the required information, if applicable. Generally, this involves only units in a planned unit development or condominium.</p> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• Item 3 on the NOV</li><li>• Chapter 16, Section B.</li></ul>

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Condominium Requirements	<p>Check the appropriate items if the property is located in a condominium.</p> <p><b>Important:</b> The project must be acceptable to VA, and all project approval-related requirements satisfied, for the property to be eligible for VA loan guaranty.</p> <p><b>Reference:</b> See Chapter 16, Section A.</p>
Water/Sewer System Acceptability	<p>Check the appropriate items for a property served by an individual</p> <ul style="list-style-type: none"> <li>• water supply, such as a well, or</li> <li>• septic system in all cases appraised as “proposed or under” construction, and in “new” and “existing” construction cases in which there is an indication of a problem or the property is in an area known to have soil percolation problems.</li> </ul> <p>A spring or cistern water supply or pit privy may be acceptable in areas where they meet the standards of the locality and are properly constructed. Lenders should contact the VA office of jurisdiction regarding such cases.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• Item 5 on the NOV</li> <li>• Section 10.10 (“Required Exhibits”)</li> <li>• Section 12.08.</li> <li>• Section 14.02 (“Third Inspection”).</li> </ul>
Connection to Public Water/Sewer	<p>Check the appropriate items if the property is served by an individual well or septic system and there is an indication that public water or sewer is available.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• Item 6 on the NOV</li> <li>• Section 12.08.</li> </ul>
Private Road/Common Use Driveway	<p>Check this item if access to the property is by a private road or common-use driveway.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• Item 7 on the NOV</li> <li>• Section 12.05.</li> </ul>

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Flood Insurance	<p>Check this item if the dwelling is located in a Special Flood Hazard Area (SFHA). It is the lender's responsibility to assure that flood insurance is obtained and maintained on properties located in SFHAs, whether or not the appraiser correctly identifies the property as being in an SFHA.</p> <p><b>Exceptions:</b></p> <ul style="list-style-type: none"><li>• The property is not eligible as the security for a VA home, if the property is located in an SFHA and flood insurance is not available because the community is not participating in the National Flood Insurance Program (NFIP)</li><li>• The lender can appeal to the Federal Insurance Administration (FIA), if there is an indication that a property is incorrectly included in a SFHA.</li><li>•</li><li>• <b>Note:</b> Based on FIA's administrative review of the scientific or technical data submitted by the lender, FIA may issue a Letter of Map Amendment (LOMA) to amend the current FEMA map and establish that the property is not located in a SFHA.</li></ul> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 8</i> on the NOV</li><li>• Section 9.10</li><li>• Section 10.06</li><li>• Figure 1 in Chapter 11.</li></ul>
Airport Acknowledgement	<p>Check this item if the property is located in an airport noise zone or safety-related zone acceptable to VA.</p> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 9</i> on the NOV</li><li>• Section 10.06</li><li>• Figure 1 in Chapter 11.</li></ul>

*Continued on next page*

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs	<p>Check the appropriate items and list the repairs recommended by the appraiser which are necessary to make the property meet VA Minimum Property Requirements (MPRs).</p> <p><b>Lead-Paint Conditions</b> Since properties built prior to 1978 may contain lead-based paint, the correction of any defective paint condition on such properties must be made according to the requirements in Section 12.03 and inspected only by VA fee personnel or VA staff.</p> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• A notice of value should not be issued for a property in a badly deteriorated condition unless there is a reasonable likelihood that it can be repaired to meet VA MPRs prior to loan closing.</li> <li>• A certification regarding the condition or adequacy of the roof, electrical/plumbing/heating systems, etc., should not be required unless there is an indication of a problem.</li> <li>• Lenders and fee appraisers should use their own letterhead when certifying that required repairs have been satisfactorily completed. Generally, fee inspectors will not inspect repairs to existing properties, unless the loan involves alterations or improvements for which construction exhibits are required.</li> </ul> <p>LAPP SAR disagreements with fee appraiser repair recommendations will be resolved by either the</p> <ul style="list-style-type: none"> <li>• Appraiser—The SAR should ask the fee appraiser to reconsider the appropriateness of the repair recommendations. Any changes made by the appraiser must be in writing</li> <li>• VA—If the repairs are necessary to make the property meet VA MPRs or cost a total of more than \$500 or 0.5 percent of the recommended value of the property. In this situation, the SAR must refer details about the disagreement to the local VA office, along with the appraisal report, photographs of the subject property and (if a veteran is under contract) the veteran's written acknowledgement of his/her awareness of the repair recommendations and request that they be waived, or</li> </ul>

Continued on next page  
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## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Repairs, continued	<ul style="list-style-type: none"> <li>• SAR—If the repairs are clearly minor, uncomplicated, nonstructural, do not affect the safety, soundness or sanitation of the property, or are cosmetic in nature, provided their total cost is the lesser of \$500 or 0.5 percent of the recommended value of the property. In this situation, justification for waiving the repairs must be fully supported and adequately documented by the SAR, including an inspection of the property, if appropriate.</li> </ul> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• <i>Item 10</i> on the NOV</li> <li>• Section 10.01</li> <li>• Section 10.05</li> <li>• Section 10.06</li> <li>• Section 11. 02</li> <li>• Section 11.04</li> <li>• Chapter 12.</li> </ul>
Local Housing/ Planning Authority Code Requirements	<p>Check this item if the property is existing construction which is located in an area where specific local housing/planning authority code requirements are enforced in conjunction with the sale of homes.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• <i>Item 11</i> on the NOV</li> <li>• Section 10.07</li> <li>• Figure 1 in Chapter 11.</li> </ul>

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
“Not Inspected” Acknowledgement	<p>Check the appropriate items if the property was appraised as “new construction”.</p> <p><i>Note:</i> <i>Item 12a</i> on the NOV applies if the property is to be covered by a one-year builder’s warranty per Section 10.08. <i>Item 12b</i> on the NOV applies if the property is to be covered by a 10-year insured protection plan per Section 10.09.</p> <p><i>References:</i></p> <ul style="list-style-type: none"><li>• <i>Item 12</i> on the NOV</li><li>• Section 10.05</li><li>• Section 10.08</li><li>• Figure 1 in Chapter 10.</li></ul>
Ten Year Insured Protection Plan	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and is to be covered by a 10-year insured protection plan.</p> <p><i>Note:</i> A copy of the builder’s application to enroll the subject property in an acceptable 10-year plan is adequate “evidence of enrollment.” It is the builder’s responsibility to ensure that all enrollment fees are paid and the enrollment process is otherwise completed.</p> <p><i>References:</i></p> <ul style="list-style-type: none"><li>• <i>Item 13</i> on the NOV</li><li>• Section 10.05</li><li>• Section 10.09</li><li>• Overview section in Chapter 14.</li></ul>

*Continued on next page*

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Energy Efficient Construction	<p>Check this item if the property was appraised as “new construction.”</p> <p>The certification is required even when State or local energy-related requirements exceed the 1992 Council of American Building Officials (CABO) Model Energy Code (MEC) standard.</p> <p>The certification is not required if the dwelling is either</p> <ul style="list-style-type: none"><li>• manufactured home built to HUD code and inspected by HUD in the factory, or</li><li>• individual unit in a condominium over two stories high.</li></ul> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 14</i> of the NOV</li><li>• Section 12.02.</li></ul>
Lead/Water Distribution System	<p>Check this item if the property was appraised as “new construction.”</p> <p>This requirement also applies to cases involving alterations, improvements or repairs to the potable water distribution system.</p> <p><b>Reference:</b> See <i>Item 15</i> on the NOV.</p>

*Continued on next page*

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Offsite Improvements	<p>Check this item if the property was appraised as either “proposed or under construction” or “new construction” and off-site improvements have not been completed and accepted for maintenance by the local authority at that time, such as</p> <ul style="list-style-type: none"><li>• streets</li><li>• sidewalks</li><li>• drains, and/or</li><li>• sewers.</li></ul> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 16</i> on the NOV</li><li>• Section 9.09</li><li>• Figure 1 in Chapter 10.</li></ul>
Proposed Construction	<p>If the property was appraised as “proposed or under construction,” check this item and provide the information required to identify the construction exhibits used.</p> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 17</i> on the NOV</li><li>• Section 10.10.</li></ul>
Construction Inspections	<p>Check this item and identify the VA-assigned fee inspector if the property was appraised as “proposed or under construction.”</p> <p><b>References:</b></p> <ul style="list-style-type: none"><li>• <i>Item 18</i> on the NOV</li><li>• Section 10.04</li><li>• Chapter 14.</li></ul>

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV						
Construction Warranty	<p>Check this item if the property was appraised as either</p> <ul style="list-style-type: none"> <li>• “proposed or under construction,” or</li> <li>• “new construction” and the builder will provide a one-year VA builder’s warranty (instead of a ten-year insured protection plan).</li> </ul> <p>In both of the above situations, the veteran purchaser must be provided with a one-year builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction, signed by an authorized official.</p> <p>See “NOV Item – Ten Year Insured Protection Plan” in this Section if the property will be covered by a ten-year protection plan.</p> <p>Use the following to determine how to handle cases involving <b>manufactured homes classified as real estate</b>.</p> <table border="1"> <thead> <tr> <th>When cases ...</th><th>Then ...</th></tr> </thead> <tbody> <tr> <td>processed as “proposed or under construction” (See the definition in Section 10.10)</td><td>the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.</td></tr> <tr> <td>involve a new manufactured home unit</td><td> <p>the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty.</p> <p><b>Note:</b> This warranty will cover the manufactured home unit only.</p> </td></tr> </tbody> </table>	When cases ...	Then ...	processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.	involve a new manufactured home unit	<p>the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty.</p> <p><b>Note:</b> This warranty will cover the manufactured home unit only.</p>
When cases ...	Then ...						
processed as “proposed or under construction” (See the definition in Section 10.10)	the contractor responsible for the construction of the foundation and other onsite features must provide the one-year warranty.						
involve a new manufactured home unit	<p>the manufacturer must provide the purchaser with a one-year warranty on VA Form 26-8599, Manufactured Home Warranty.</p> <p><b>Note:</b> This warranty will cover the manufactured home unit only.</p>						

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## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV	
Construction Warranty, continued	<b>When cases ...</b>	<b>Then ...</b>
	involve a used manufactured home sold by a dealer	<p>the dealer must provide the purchaser with a six-month warranty on VA Form 26-8730, Used Manufactured Home Limited Warranty.</p> <p>This warranty that the mechanical equipment, electrical, gas and heating systems, and water and plumbing systems are in operating condition and the roof is weathertight. This warranty is not required in connection with the sale of a used manufactured home not involving a dealer.</p>
	<p><b>References:</b></p> <ul style="list-style-type: none"> <li>• <i>Item 19</i> on the NOV</li> <li>• Section 10.05</li> <li>• Section 10.08</li> <li>• Section 10.09</li> <li>• Section 10.10.</li> </ul>	

*Continued on next page*

## 13.06 Notice of Value Conditions and Requirements, Continued

Table of NOV Conditions & Requirements (continued)

NOV Item	Instructions for Preparing the NOV
Other Conditions & Requirements	<p>Check this item and list any other conditions or requirements necessary to satisfy fee appraiser or local VA office concerns, or otherwise cause the property to meet all VA requirements.</p> <p><b>Example:</b> If the dwelling will have a permanently installed, non-electric, unvented fireplace or other unvented space heater, the NOV must be conditioned to require</p> <ul style="list-style-type: none"><li>• the veteran purchaser's written acknowledgement that the dwelling contains an unvented fireplace or space heater which has not been inspected by VA, and</li><li>• a written heating/air conditioning contractor, that identifies the property and states that the unvented appliance<ul style="list-style-type: none"><li>– is equipped with an approved Oxygen Depletion Sensor, and</li><li>– meets local building authority requirements, or is installed according to the manufacturer's recommendations if there are no local requirements.</li></ul></li></ul> <p><b>Consistency and Additional Conditions</b> VA offices are expected to be as consistent as practicable regarding NOV conditions and requirements. They will notify lenders in writing when a local situation dictates an additional condition/requirement not listed on the standard NOV.</p> <p><b>Reference:</b> See <i>Item 20</i> on the NOV.</p>

## 13.07 Distributing Notices of Value

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### LAPP Cases

For cases processed under LAPP, the SAR must send the

- veteran borrower the NOV and a copy of the reviewed appraisal report, within five business days of the lender's earliest receipt of the appraisal report by the SAR or an authorized agent/broker.
  - 
  - **Note:** Any delay without documented, reasonable extenuating circumstances, such as the need to obtain additional information from the fee appraiser, will not be acceptable.
  - VA office of jurisdiction
    - a copy of the NOV, and
    - a complete set of the appraisal report contents (Section 11.04), either on the same day the NOV is sent to the veteran or by the last day of the month along with the other NOVs issued that month, and
  - fee inspector if assigned by VA, a copy of the NOV, if applicable
- 

### NOV's Issued by VA Staff

For cases processed by VA staff, VA will send the

- lender the original CRV or Master CRV and an original copy of the VA-reviewed appraisal report with all related exhibits, and
- veteran borrower a copy of the CRV. If the borrower is unknown at the time the CRV is prepared, the copy will be
  - retained in the case file and mailed to him/her upon VA receipt of the Uniform Residential Loan Application (in "prior approval" cases), or
  - sent with the Certificate of Eligibility after the loan is guaranteed (for loans processed on the automatic basis).

**Note:** For properties valued on a Master CRV, the veteran borrower's notice of value will be considered to be [VA Form 26-1820](#), Report and Certification of Loan Disbursement or [VA Form 26-1802a](#), HUD/VA Addendum to Uniform Residential Loan Application.

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## 13.08 How Long Notice of Value is Valid

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<b>Existing or New Construction</b>	A notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.
<b>Proposed or Under Construction</b>	A notice of value for a property appraised as proposed or under construction is valid for 12 months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period.
<b>Veteran Under Contract</b>	If a veteran signs a purchase agreement during a notice of value's validity period, that notice of value will remain valid until that transaction is either completed or terminated.
<b>Extension of Validity Period</b>	<p>VA will extend the validity period only when it is determined that current market conditions make it likely that the original value estimate will remain valid through the extended period.</p> <p>Generally, extension requests will be sent to the VA office of jurisdiction, which will contact the fee appraiser involved, if appropriate, and issue an endorsement to the notice of value, if justified.</p>

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## 13.09 Changing Notices of Value

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### Policy

After a notice of value is issued, the value estimate or any NOV condition or requirement can be changed if either

- the change is clearly warranted and fully supported by real estate market or other valid information which would be considered adequate and reasonable by professional appraisal standards, or
- the NOV's issuance involved fraud, misrepresentation or substantial VA or LAPP lender administrative error and action is necessary to make the valuation consistent with the real estate market.

**Note:** A new VA appraisal must not be requested for any property which already has a valid VA notice of value. However, an additional appraisal made by a VA fee appraiser not assigned by VA can be used to support a request for an increase in value, provided the veteran purchaser was not required to pay any portion of the cost of that additional appraisal.

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### How to Request a Change

Every request for a change must be in writing.

Any party of interest to the transaction can submit a request through the lender

- to the fee appraiser on whose appraisal the current VA valuation is based, if the request is for a change in value (commonly referred to as a "reconsideration of value"), or
  - to the VA office of jurisdiction for requests other than to change the value.
- 

### Submission of Real Estate Market Data

Although there is no requirement that comparable sales or other real estate market information be submitted with a request for a change in value, such supporting information will greatly assist VA in reviewing the request. In cases processed under the Lender Appraisal Processing Program (LAPP), the request should also include the LAPP staff appraisal reviewer's recommendation.

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## 13.09 Changing Notices of Value, Continued

### Appraiser's Role

The fee appraiser will

- record on the request the date that it was received (for VA timeliness calculation purposes)
- review the request and any supporting documentation
- prepare a written recommendation, with justification regarding the request which would be considered adequate and reasonable by professional appraisal standards, and

*Note:* In most cases, this will include a sales comparison analysis grid or similar analysis.

- forward the recommendation and all related documentation to either the
  - lender, if the case is being processed under LAPP and an increase in value of not more than two percent is justified, or
  - VA office of jurisdiction, in all other cases. A copy of the appraisal report will also need to be included in cases being processed under LAPP.

*Note:* The appraiser may charge a reasonable fee (not to exceed that allowed by HUD/FHA) if the market data necessary to reconsider the value estimate was not available at the time of the appraisal.

### VA's Role

Upon receipt of a fee appraiser's recommendation, VA staff will

- review the request and the appraiser's recommendation
- determine if the requested change is justified, and
- notify the lender by either
  - letter, if no change is justified or a change is justified and the notice of value was issued by the lender under LAPP, or
  - [VA Form 26-6363](#), Endorsement to Certificate of Reasonable Value, or its computer-generated form letter equivalent, if a change is justified and VA issued the notice of value. VA will also send a copy of this form or form letter to the veteran purchaser, if known.

## 13.09 Changing Notices of Value, Continued

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<b>Lender's Role</b>	<p>Upon receipt of the VA letter in cases processed under LAPP, the lender will</p> <ul style="list-style-type: none"><li>• notify the veteran purchaser of VA's decision, either by an amended notice of value clearly marked "AMENDED" or other notice on the lender's letterhead, and</li><li>• retain a copy of all documentation concerning the change for future VA reference.</li></ul>
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## 13.10 Transfer of Appraiser's Reports Between Lenders

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### Lender Cooperation

Lenders are expected to cooperate on a reciprocal basis when a veteran purchaser chooses to have his/her mortgage transaction completed by a lender other than the one who ordered the appraisal.

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### LAPP Cases

A LAPP notice of value is **not** transferable to another lender. However, an appraisal report requested by one lender can be subsequently used by a LAPP lender, if the LAPP lender assumes full responsibility for LAPP processing by performing a complete review of the appraisal report and issuing, on its own letterhead, a notice of value to the veteran borrower.

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### Other Cases

If the subsequent lender does not have LAPP authority and no VA Form 26-1843, Certificate of Reasonable Value, was ever issued by VA staff, then all appraisal documentation must be submitted to VA. VA staff will review that material and issue a VA Form 26-1843 to the subsequent lender.

A notice of value issued by VA staff on VA Form 26-1843 can be transferred to a subsequent lender.

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### If Unable to Obtain Appraisal

If a subsequent lender is unable to obtain an original copy of a needed appraisal report and all addenda, including clear copies of all pictures, that lender may contact the fee appraiser involved for that documentation. The fee appraiser may negotiate a reasonable fee, to be paid by the lender or veteran, for any additional work that may be necessary.

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### Validity Period Issues

For information on validity period issues, see Section 13.08.

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## 13.11 Discovery of Title Limitations & Conditions

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**Requirement to Notify VA** Any title limitation or condition discovered after examination of the title but prior to loan closing must be submitted to the VA office of jurisdiction (along with a copy of the appraisal report in LAPP cases), unless it

- was considered in the appraisal report, or
- is listed in [38 CFR 36.4350](#) as **not** materially affecting the reasonable value of residential property.

[\[38 CFR 36.4350\]](#)

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**If VA Value Based on HUD Appraisal** If the VA notice of value was based on a HUD value determination per Chapter 10.11, and neither of the above two exclusions apply, the lender must

- contact HUD to determine what effect, if any, the limitation or condition has on the value of the property, and
- provide the VA office of jurisdiction with the results so that office can issue a VA Form 26-6363, Endorsement to Certificate of Reasonable Value.

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## 13.11 Discovery of Title Limitations & Conditions, Continued

**Limitations and Conditions Not Affecting Value** Per, the following conditions or limitations to title have been determined by VA as not materially affecting the VA value estimate of residential property (whether or not enforceable by a reverter clause), provided there has been no breach of the conditions affording a right to an exercise of the reverter clause.

[\[38 CFR 36.4350\]](#)

When the limitation or condition is ...	There is no material affect on the VA value estimate if ...
Building or use Restriction	<ul style="list-style-type: none"><li>• no violation exists, and</li><li>• the proposed use by the veteran is not likely to result in a violation.</li></ul>
Violation of Building or Use Restrictions of Record	<ul style="list-style-type: none"><li>• they have existed for more than one year,</li><li>• are not the subject of pending or threatened litigation, and</li><li>• do not provide for a reversion or termination of title, condemnation by municipal authorities, or a lien for liquidated damages which may be superior to the lien of the guaranteed or insured mortgage.</li></ul>
Easement	<ul style="list-style-type: none"><li>• public utility/drainage easement along one or more of the property lines or easement for drainage or irrigation ditches, provided the exercise of the rights of such easement does not interfere with the use of any of the buildings or improvements located on the subject property</li><li>• mutual easement for joint driveway located partly on the subject property and partly on adjoining property, provided the agreement is recorded in public records, or</li><li>• easement for underground conduits which are in place and which do not extend under any buildings on the subject property.</li></ul>

## 13.11 Discovery of Title Limitations & Conditions, Continued

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### Limitations and Conditions Not Affecting Value (continued)

When the limitation or condition is ...	There is no material affect on the VA value estimate if ...
Encroachment	<ul style="list-style-type: none"><li>• encroachment on the subject property by improvement on the adjoining property when such encroachment does not exceed one foot within the subject boundaries, provided such encroachment does not touch any buildings or interfere with the use or enjoyment of any building or improvement on the subject property</li><li>• encroachment by hedges or removable fences belonging to subject or adjoining property</li><li>• encroachment not exceeding one foot on adjoining property by driveway belonging to subject property, provided there exists a clearance of at least eight feet between the buildings on the subject property and the property line affected by the encroachment, or</li><li>• lot line variation between the length of the subject property lines as shown on the plot plan or other exhibits submitted to VA and as shown by the record or possession lines, provided such variation does not interfere with the current use of any of the improvements on the subject property and does not involve a deficiency of more than two percent with respect to the length of the front line, or more than five percent with respect to the length of any other line.</li></ul>

## 13.11 Discovery of Title Limitations & Conditions, Continued

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**VA Processing  
of Limitations/  
Conditions  
Affecting Value**

For limitations/conditions submitted to VA which were not considered in the appraisal report or covered by [38 CFR 36.4350](#), the VA office of jurisdiction will

- contact the fee appraiser (via VA Form Letter 26-209) if additional information is needed to determine the effect of the limitation/condition on the value estimate
- consider the impact of the condition/limitation on the reasonable value of the property, and
- notify the lender or other interested party of its determination via either VA Form Letter 26-210 or an endorsement (containing the language found on FL 26-210) to the request for VA consideration of the condition/limitation.

**[\[38 CFR 36.4350\]](#)**

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## 13.12 Effect of Major Disasters on Notices of Value

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**VA Notice to  
Program  
Participants**

As soon as practicable after a major natural disaster, VA offices in the area(s) affected by the disaster will send their program participants instructions regarding the handling of cases in which a notice of value is outstanding.

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## Exhibit 1—LAPP Lender's Notice of Value

[on lender's letterhead]  
**LENDER'S NOTICE OF VALUE**

[date of notice]                      LENDER LOAN NO.:                      VA CASE NO.:  
   APPRAISAL REVIEWER: [SAR name, SAR id #]  
[Mr. and/or Ms.] [purchaser's                      PROPERTY ADDRESS: [complete address]  
name and current mailing address]

Dear [Mr. and/or Ms.] [purchaser's last name]:

The above property has been appraised by a fee appraiser assigned by the VA regional office in [city and state]. On [date], our VA-authorized appraisal reviewer personally reviewed the fee appraiser's report and determined the property's estimated reasonable value to be \$[amount]. The maximum repayment period for a loan to purchase this property is [fee appraiser's "economic life" estimate or 30, whichever is less] years.

**The VA appraisal was made to determine the reasonable value of the property for loan purposes. It must not be considered a building inspection. Neither VA nor the lender can guarantee that the home will be satisfactory to you in all respects or that all equipment will operate properly. A thorough inspection of the property by you or a reputable inspection firm may help minimize any problems that could arise after loan closing. In an existing home, particular attention should be given to plumbing, heating, electrical and roofing components.**

**REMEMBER: VA GUARANTEES THE LOAN, NOT THE CONDITION OF THE PROPERTY.**

**THE CONDITIONS/REQUIREMENTS CHECKED BELOW APPLY TO THIS PROPERTY:**

\_\_\_\_\_ 1. **ENERGY CONSERVATION IMPROVEMENTS.** You may wish to contact the utility company or a reputable firm for a home energy audit to identify needed energy efficiency improvements to this previously occupied property. Lenders may increase the loan amount to allow buyers to make energy efficiency improvements such as: Solar or conventional heating/cooling systems, water heaters, insulation, weather-stripping/caulking and storm windows/doors. Other energy-related improvements may also be considered. The mortgage may be increased by up to \$3,000 based solely on documented costs; or up to \$6,000 provided the increase in monthly mortgage payment does not exceed the likely reduction in monthly utility costs; or more than \$6,000 subject to a value determination by VA.

\_\_\_\_\_ 2. **WOOD-DESTROYING INSECT INFORMATION**

- \_\_\_\_\_ a. **Inspection Report (Existing Construction).** The property must be inspected at no cost to you by a qualified pest control operator using Form NPCA-1, or other form acceptable to VA. Any reported infestation or structural damage affecting the value of the property must be corrected to VA's satisfaction prior to loan settlement. You must acknowledge receipt of a copy of the inspection report in the space provided on the form.
- \_\_\_\_\_ b. **Soil Treatment Guarantee (Proposed or Under Construction).** A properly completed Form NPCA-99a is required. If the soil is treated with a termiticide, a properly completed Form NPCA-99b is also required. The lender will provide you with a copy.
- \_\_\_\_\_ 3. **LIEN-SUPPORTED ASSESSMENT.** This property is located in a development with mandatory membership in a homeowners' association. The lender is responsible for ensuring that title meets VA requirements for such property and that homeowner association assessments are subordinate to the VA-guaranteed mortgage.
- \_\_\_\_\_ a. **Homeowner Association Fee.** Estimated fee of \$[amount] per [period of time].
- \_\_\_\_\_ b. **Other.** \_\_\_\_\_
- \_\_\_\_\_ 4. **CONDOMINIUM REQUIREMENTS.** The lender is responsible for ensuring that this condominium is acceptable to VA and that any condominium-related special conditions or requirements have been met. There may be additional information in "Other Conditions/Requirements" below.
- \_\_\_\_\_ 5. **WATER/SEWAGE SYSTEM ACCEPTABILITY.** Evidence from the local health authority or other source authorized by VA that the individual \_\_\_\_\_ **water supply**, \_\_\_\_\_ **sewage disposal** system(s) is/are acceptable.
- \_\_\_\_\_ 6. **CONNECTION TO PUBLIC WATER/SEWER.** Evidence of connection to \_\_\_\_\_ **public water**, \_\_\_\_\_ **public sewer**, if available, and that all related costs have been paid in full.
- \_\_\_\_\_ 7. **PRIVATE ROAD/COMMON-USE DRIVEWAY.** Evidence that use of the private road or common-use driveway is protected by a recorded permanent easement or recorded right-of-way from the property to a public road, and that a provision exists for its continued maintenance.

- \_\_\_\_ 8. **FLOOD INSURANCE.** Since improvements on this property are located in a FEMA Special Flood Hazard Area, flood insurance is required.
- \_\_\_\_ 9. **“AIRPORT” ACKNOWLEDGEMENT.** Your written acknowledgement that you are aware that this property is located near an airport and that aircraft noise may affect the livability, value and marketability of the property.
- \_\_\_\_ 10. **REPAIRS.** The \_\_\_\_ lender \_\_\_\_ fee appraiser  
(\_\_\_\_ [name] \_\_\_\_ ) \_\_\_\_ fee compliance inspector  
(\_\_\_\_ [name] \_\_\_\_ ) is to certify that the following repairs have been satisfactorily completed. See the above second paragraph about your responsibility concerning the condition of the property.
- \_\_\_\_ [List repairs recommended by fee appraiser which are necessary to make the  
\_\_\_\_ property meet VA minimum property requirements for existing  
\_\_\_\_ construction.  
\_\_\_\_ Inspections/certifications should not be required unless there is an  
\_\_\_\_ indication  
\_\_\_\_ of a potential problem.]
- \_\_\_\_ 11. **LOCAL HOUSING/PLANNING AUTHORITY CODE REQUIREMENTS.** Evidence that local housing or planning authority code requirements, if any, have been met.
- \_\_\_\_ 12. **“NOT INSPECTED” ACKNOWLEDGEMENT.** Your written Acknowledgement that, you are aware that since this new property was not inspected during construction by VA,
- \_\_\_\_ a. VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported during the one-year builder’s warranty period.
- \_\_\_\_ b. VA will not intercede on your behalf in the processing of any construction complaints.
- \_\_\_\_ 13. **TEN-YEAR INSURED PROTECTION PLAN.** Evidence of enrollment of this new property in a 10-year insured protection plan acceptable to the Department of Housing and Urban Development (HUD).
- \_\_\_\_ 14. **ENERGY EFFICIENT CONSTRUCTION.** Builder's certification which identifies this new dwelling and states that it was constructed to meet the energy conservation standards of the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC).

- \_\_\_\_\_ 15. **LEAD/WATER DISTRIBUTION SYSTEM.** Builder's certification which identifies this new dwelling and states that the solders and flux used in construction did not contain more than 0.2 percent lead and that the pipes and pipe fittings used did not contain more than 8.0 percent lead.
- \_\_\_\_\_ 16. **OFFSITE IMPROVEMENTS.** Evidence that the streets, sidewalks, drains, water, sewer, etc. have been completed and accepted for maintenance by the local authority.
- \_\_\_\_\_ 17. **PROPOSED CONSTRUCTION.** To be completed based on construction exhibits identified as \_\_\_\_\_ [model name; or type of construction, square footage, # rooms, # bedrooms and # bathrooms]
- \_\_\_\_\_ 18. **CONSTRUCTION INSPECTIONS.** By VA fee compliance inspector (\_\_\_\_\_ [name] \_\_\_\_\_) or HUD fee inspector (with prior VA approval). \_\_\_\_\_ Only a final inspection is required if local building authority inspections are acceptable to VA, or if builder to provide you with a ten-year insured protection plan acceptable to HUD.
- \_\_\_\_\_ 19. **CONSTRUCTION WARRANTY.** One-year VA builder's warranty on a fully completed VA Form 26-1859, Warranty of Completion of Construction.
- \_\_\_\_\_ 20. **OTHER CONDITIONS/REQUIREMENTS**
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